92-2245

A	AMERICAN SAFETY CLOSURE CORP	10Q	01-31-92
B	AMERICAN UNITED GLOBAL INC	10Q	01-31-92
C	CANAVERAL INTERNATIONAL CORP	10Q	03-31-92
D	DRECO ENERGY SERVICES LTD	10Q	02-29-92
E	EICO ELECTRONIC INSTRUMENT CO INC	10Q	03-28-92
F	FIRST FINANCIAL BANCORP (CA)	10Q	03-31-92
G	FIRST NATIONAL CORP (ND)	10Q	03-31-92
H	JORDAN INDUSTRIES INC	10Q	03-31-92
I	KNICKERBOCKER VILLAGE INC	10Q	03-31-92
J	MANSION INDUSTRIES INC	10Q	03-31-92
K	NATIONAL BANCSHARES CORP	10Q	03-31-92
L	PACKAGE MACHINERY CO	10Q	03-31-92
M	PIONEER AMERICAN HOLDING CO CORP	10Q	03-31-92
N	SERVING SOFTWARE INC	10Q	03-31-92

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES AND EXCHANGE ACT OF 1934

For Quarter Ended January 31, 1992

Commission File Number ~~33-1647-NY~~

American Safety Closure Corp.
(Exact name of registrant as specified in its charter)

New York
(State of Incorporation)

11-2657739
(I.R.S. Employer I.D. No.)

1 Plant Road, Plattsburgh, New York 12901
(Address of Principal Executive Offices)

Registrant's Telephone Number: (518) 561-2030

Indicate by check mark whether the registrant (1) has all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ✓ NO ___

Shares of Common Stock Outstanding as of January 31, 1992:

8,742,938

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AMERICAN SAFETY CLOSURE CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

ASSETS	JANUARY 31, 1992	APRIL 30, 1991
CURRENT ASSETS		
Cash and Cash Equivalents	$101,466	$228,463
Certificate of Deposit (Restricted)	0	273,241
Prepaid Expenses	144,705	133,568
Accounts Receivable (Net of Allowance for Doubtful Accounts of $ 7,492 and $ 36,810 Respectively)	1,016,838	1,008,016
Inventory	1,048,349	934,709
TOTAL CURRENT ASSETS	2,311,358	2,577,997
PROPERTY, PLANT AND EQUIPMENT, At Cost, Less Accumulated Depreciation of $ 1,525,322 and $ 1,237,366 Respectively	2,920,863	3,107,172
PATENTS At Cost, Less Accumulated Amortization of $ 210,194 and $ 188,804 Respectively	274,625	296,015
OTHER ASSETS		
Deposits	158,000	158,000
TOTAL ASSETS	$5,664,846	$6,139,184

LIABILITIES AND STOCKHOLDERS' EQUITY

	JANUARY 31, 1992	APRIL 30, 1991
CURRENT LIABILITIES		
Notes Payable	$1,201,102	$1,470,401
Accounts Payable and Accrued Expenses	978,347	1,013,379
TOTAL CURRENT LIABILITIES	2,179,449	2,483,780
LONG TERM DEBT	2,925,532	3,106,035
STOCKHOLDERS' EQUITY		
Common Stock - $.03 Par Value; 25,000,000 Shares Authorized and 8,742,938 Shares Issued and Outstanding	262,288	259,225
Additional Paid in Capital	6,389,671	6,341,684
Retained Earnings	(6,092,094)	(6,051,540)
TOTAL STOCKHOLDERS' EQUITY	559,865	549,369
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$5,664,846	$6,139,184

AMERICAN SAFETY CLOSURE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED
(UNAUDITED)

	JANUARY 31, 1992	1991
NET SALES	$5,554,230	$4,509,811
COST OF GOODS SOLD	3,981,319	3,373,189
GROSS PROFIT	$1,572,911	$1,136,622
GENERAL AND ADMINISTRATIVE EXPENSES		
Officer Salaries	$97,530	$93,196
Sale Salaries	60,480	212,134
Shipping Salaries	44,752	46,649
Office Salaries	161,965	134,472
Payroll Taxes and Fringes	68,193	147,025
Travel Expenses	104,119	211,491
Auto Expenses	23,813	47,310
Professional Fees	80,767	111,211
Rent	23,118	33,966
Telephone	38,937	62,532
Office Expenses	77,280	73,415
Insurance	18,485	99,899
Officer's Life Insurance	23,741	20,493
Dues and Subscriptions	1,255	3,055
Depreciation and Amortization	309,346	381,272
Bank Fees	10,059	7,244
Sundry	---	11,124
Salesmen's Commission	39,302	5,790
Printing	375	9,862
Advertising	22,301	89,346
Consulting Fees	154,990	127,864
Postage and Delivery	28,737	8,643
License Fees	16,650	---
Franchise Tax	2,505	---
Bad Debt	---	6,900
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	$1,408,700	$1,944,893
NET PROFIT (LOSS) FROM OPERATIONS	164,211	(808,271)
Interest Expense	279,438	347,362
Interest Income	(5,937)	(80,126)
Miscellaneous Income	(68,736)	(16,952)
	204,765	250,284
NET (LOSS)	($40,554)	($1,058,555)
(Loss) Per Share	(0.005)	(0.12)

AMERICAN SAFETY CLOSURE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED
(UNAUDITED)

	JANUARY 31,	
	1992	1991
NET SALES	$1,840,458	$1,389,244
COST OF GOODS SOLD	1,316,086	1,111,108
GROSS PROFIT	$524,372	$278,136
GENERAL AND ADMINISTRATIVE EXPENSES		
Officer Salaries	32,510	32,510
Sale Salaries	24,213	44,395
Shipping Salaries	14,479	15,309
Office Salaries	66,463	45,340
Payroll Taxes and Fringes	30,839	55,770
Travel Expenses	33,969	58,161
Auto Expenses	5,666	13,204
Professional Fees	29,968	43,884
Rent	3,059	10,182
Telephone	12,428	19,256
Office Expenses	19,666	21,936
Insurance	9,295	47,541
Officer's Life Insurance	5,726	5,161
Dues and Subscriptions	525	1,123
Depreciation and Amortization	103,115	126,337
Bank Fees	10,059	0
Sundry	(2,357)	(16,871)
Salesmen's Commission	16,191	0
Printing	0	241
Advertising	2,448	10,444
Consulting Fees	42,813	61,830
Postage and Delivery	28,737	8,643
License Fees	5,550	0
Franchise Tax	0	0
Bad Debt	0	6,900
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	495,362	611,296
NET PROFIT (LOSS) FROM OPERATIONS	29,010	(333,160)
Interest Expense	85,057	115,998
Interest Income	659	(16,315)
Miscellaneous Income	(6,621)	(37)
	79,095	99,646
NET (LOSS)	($50,085)	($432,806)
(Loss) Per Share	(0.006)	(0.05)

AMERICAN SAFETY CLOSURE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED

(UNAUDITED)

	January 31, 1992	January 31, 1991
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss)	($40,554)	($1,058,555)
Adjustments to reconcile net income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	309,346	381,272
Change in Assets and Liabilities:		
(Increase) Decrease in:		
Prepaid Expenses	(11,137)	5,502
Accounts Receivable	(8,822)	(97,508)
Inventory	(113,640)	(114,760)
Security Deposits	---	22,190
Certificate of Deposits	---	(15,323)
(Decrease) Increase in:		
Accounts Payable and Accrued Expenses	(35,032)	(204,227)
NET CASH USED IN OPERATING ACTIVITIES	100,161	(1,081,409)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of Equipment	(101,647)	(299,835)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of Note Payable	(232,980)	(104,649)
Payment of Key Bank Floor Plan	(216,822)	---
Sale of Stock Warrents	51,050	---
	(398,752)	(104,649)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(400,238)	(1,485,893)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	501,704	2,024,878
CASH AND CASH EQUIVALENTS - NINE MONTHS ENDED JANUARY 31,	$101,466	$538,985

AMERICAN SAFETY CLOSURE CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 1992

(UNAUDITED)

Results of Operations

The company had sales for the period ended January 31, 1992 $5,554,230 as compared to $4,509,811 in 1991, an increase of $1,044,419 or 23%. The increase in sales was due in part to the acquisition of the Linkletter tooling to produce a line of Hinge-Gard tamper-evident caps.

For the period ended January 31, 1992, the Company had a loss of $40,554 as compared to a loss of $1,058,555 for January 31, 1991. This significant increase in profitability was achieved as a result of a 23% increase in sales revenues in conjunction with the reduction of G & A expenses of $536,193 or 27.5%.

The cost of sales for the period ended January 31, 1992 was $3,981,318 with a gross profit of 28% as compared to $3,373,189 with a gross profit of 25% in 1991.

Net profit from operations January 31, 1992 were $164,211 versus a loss of $808,271 January 31, 1991, an increase of $972,482.

Based on the company's experience, the depreciation has been changed to increase the useful life of the equipment from 7 years to 10 years. The effect on earnings for the current period is a decrease in depreciation expense by $73,114 and a .0084 increase in earnings per share.

Liquidity and Capital Resources

For the period ended January 31, 1992, the Company's working capital increased by $37,692 as compared to the year ended April 30, 1991 where working capital decreased by $1,554,333. This increase in working capital is a result of increase sales and decrease in expenses during the period in addition to a reduction of overall debt and acquisition of equipment.

In July 1990 the Company entered into a three year contract with Revlon which will result in the sale of approximately $700,000 per year of the Company's patented tamper-evident closures. Revlon has the option to renew the contract for an additional three years. Revlon has agreed to purchase capping equipment, for testing and production in the near future.

During February 1991, the Company entered into a licensing agreement with Linkletter Co. to use the tooling they developed on an exclusive basis for five years. This tooling consists of a plastic tamper-evidence cap used presently in the pharmaceutical and vitamin industries.

AMERICAN SAFETY CLOSURE CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 1992

(UNAUDITED)

The Company believes that its cash on hand from operating activities in addition to financing from commercial banks and state and local development agencies will be adequate to meet its operating requirements, debt service and capital expenditures in the ensuing year.

AMERICAN SAFETY CLOSURE CORP. AND SUBSIDIARIES

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN SAFETY CLOSURE CORP. AND SUBSIDIARIES

By: ______________________________
Vincent Conti
President

: O 30941

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [illegible]

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number 0-19404

AMERICAN UNITED GLOBAL, INC.
(Exact name of registrant as specified in its charter)

Delaware
(Name or other jurisdiction of incorporation or organization)

11-2917399
(I.R.S. employer identification no.)

11634 Patton Road, Downey, California
(Address of principal executive offices)

90241
(Zip Code)

Registrant's telephone number, including area code (213) 862-8163

Alrom Corp.
Former name, former address and former fiscal year, if changed since last report.

Indicate by check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or if such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No _____

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes _____ No _____

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the ~~latest practicable date~~: 4,206,033

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PART 1. FINANCIAL INFORMATION

ITEM 1. Financial Statements.

AMERICAN UNITED GLOBAL, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	January 31, 1992 (Unaudited)	July 31, 1991
ASSETS		
Current assets:		
Cash	$ 53,000	$ 127,000
Trade accounts receivable	4,794,000	4,520,000
Inventories	5,539,000	5,061,000
Prepaid expenses	312,000	277,000
Total current assets	10,698,000	9,985,000
Property and equipment, net	3,504,000	3,696,000
Intangibles and other assets	308,000	296,000
	$14,510,000	$13,977,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Borrowings under revolving credit agreements	$ 3,434,000	$ 3,387,000
Current portion of long-term debt	2,455,000	541,000
Accounts payable	1,738,000	1,436,000
Accrued payroll and vacation expense	534,000	607,000
Other accrued liabilities	792,000	868,000
Income taxes payable	565,000	370,000
Deferred taxes	15,000	-
Accrued costs of discontinued operations	147,000	245,000
Current portion of obligations under capitalized leases	79,000	75,000
Total current liabilities	9,759,000	7,529,000
Term loan payable to financial institution	1,336,000	1,531,000
Subordinated note payable to Federal-Mogul Corporation	-	1,914,000
Accrued costs of discontinued operations	104,000	185,000
Obligations under capitalized leases	107,000	140,000
Notes payable to shareholders	325,000	345,000
Other noncurrent liabilities	66,000	240,000
Total liabilities	11,697,000	11,884,000
Commitments and contingencies		
Shareholders' equity:		
Preferred stock - 12.5% cumulative, $1.00 per share liquidation value, $.01 par value; 1,200,000 shares authorized; 1,200,000 shares issued and outstanding	12,000	12,000
Common stock - $.01 par value; 20,000,000 shares authorized; 2,647,810 and 1,353,584 shares issued and outstanding, respectively	27,000	14,000
Additional contributed capital	5,197,000	5,010,000
Note receivable from shareholder	(200,000)	-
Accumulated deficit	(2,223,000)	(2,943,000)
	2,813,000	2,093,000
	$14,510,000	$13,977,000

AMERICAN UNITED GLOBAL, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Three Months Ended January 31,	
	1992	1991
Net sales	$7,261,000	$7,506,000
Cost of goods sold	5,924,000	6,015,000
Gross profit	1,337,000	1,491,000
Selling, general and administrative expenses	721,000	776,000
Operating income	616,000	715,000
Interest expense	161,000	368,000
Income before provision for income taxes	455,000	347,000
Provision for income taxes	166,000	177,000
Income before extraordinary item	289,000	170,000
Extraordinary item - income tax benefit resulting from realization of net operating loss carryforward	92,000	121,000
Net income	381,000	291,000
Dividends on preferred stock	38,000	-
Net income available for common shareholders	$ 343,000	$ 291,000
Primary earnings per common and common equivalent share:		
Income before extraordinary item	$.10	$.10
Extraordinary item	$.03	$.07
Net income	$.13	$.17
Weighted average number of shares	2,690,000	1,662,000

See accompanying notes to consolidated financial statements.

AMERICAN UNITED GLOBAL, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Six Months Ended January 31,	
	1992	1991
Net sales	$14,743,000	$15,407,000
Cost of goods sold	11,980,000	12,326,000
Gross profit	2,763,000	3,081,000
Selling, general and administrative expenses	1,412,000	1,703,000
Consulting agreement and other expenses	-	837,000
Operating income	1,351,000	541,000
Interest expense	334,000	863,000
Income (loss) before provision for income taxes	1,017,000	(322,000)
Provision for income taxes	391,000	261,000
Income (loss) before extraordinary item	626,000	(583,000)
Extraordinary item - income tax benefit resulting from realization of net operating loss carryforward	169,000	121,000
Net income (loss)	795,000	(462,000)
Dividends on preferred stock	75,000	-
Net income (loss) available for common shareholders	$ 720,000	($ 462,000)
Primary earnings (loss) per common and common equivalent share:		
Income (loss) before extraordinary item	$.21	($.35)
Extraordinary item	$.06	$.07
Net income (loss)	$.27	($.28)
Weighted average number of shares	2,662,000	1,658,000

See accompanying notes to consolidated financial statements.

AMERICAN UNITED GLOBAL, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Unaudited)

	Preferred Stock		Common Stock					
	Number of Shares	Amount	Number of Shares	Amount	Additional Contributed Capital	Note receivable from shareholder	Total Accumulated Deficit	Shareholders' Equity
Balance at July 31, 1991	1,200,000	$12,000	1,354,000	$14,000	$5,010,000		($2,943,000)	$2,093,000
Net income							795,000	795,000
Dividends paid on preferred stock							(75,000)	(75,000)
Issuance of common shares for a note receivable			76,000	1,000	199,000	($200,000)		
Common stock split			1,218,000	12,000	(12,000)			
Balance at January 31, 1992	1,200,000	$12,000	2,648,000	$27,000	$5,197,000	($200,000)	($2,223,000)	$2,813,000

See accompanying notes to consolidated financial statements.

AMERICAN UNITED GLOBAL, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

Increase (decrease) in cash
(Unaudited)

	Six months ended January 31,	
	1992	1991
Cash flows from operating activities:		
Net income (loss)	$795,000	($ 462,000)
Adjustment to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	408,000	343,000
Amortization of discount on note payable to Federal-Mogul Corporation	-	195,000
Change in assets and liabilities		
Accounts receivable	(274,000)	(388,000)
Inventories	(478,000)	(439,000)
Prepaid expenses and other assets	(145,000)	155,000
Accounts payable	302,000	472,000
Accrued payroll and vacation expense	(73,000)	(43,000)
Other accrued liabilities	(96,000)	175,000
Income taxes payable	195,000	66,000
Deferred taxes	15,000	-
Accrued costs of discontinued operations	(179,000)	(95,000)
Other noncurrent liabilities	(174,000)	(131,000)
Net cash provided (used) by operating activities	296,000	(152,000)
Cash flows from investing activities:		
Purchases of property and equipment	(118,000)	(178,000)
Net cash used by investing activities	(118,000)	(178,000)
Cash flows from financing activities:		
Net borrowings under revolving credit agreements	47,000	202,000
Payments under term loans	(195,000)	(172,000)
Principal payments under capitalized lease obligations	(29,000)	(39,000)
Dividends paid	(75,000)	-
Payments to Sargent Industries, Inc.	-	(861,000)
Proceeds from issuance of notes payable to shareholder	-	1,200,000
Net cash (used) provided by financing activities	(252,000)	330,000
Net decrease in cash	(74,000)	-
Cash at beginning of period	127,000	-
Cash at end of period	$ 53,000	$ -

See accompanying notes to consolidated financial statements.

AMERICAN UNITED GLOBAL, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 1992
(Unaudited)

NOTE 1 - BASIS OF CONSOLIDATED FINANCIAL STATEMENTS:

The consolidated financial information included in this report has been prepared in conformity with the accounting principles and practices reflected in the consolidated financial statements included in the annual report filed with the Commission for the preceding fiscal year. All adjustments are of a normal recurring nature and are, in the opinion of management, necessary for a fair statement of the consolidated results for the interim periods. This report should be read in conjunction with the Company's 1991 Annual Report.

On December 24, 1991, the Company was reincorporated under the name American United Global, Inc.

NOTE 2 - PUBLIC OFFERING:

On January 28, 1992, the Company filed a Registration Statement on Form S-1 with the Commission for a proposed public offering of 1,100,000 shares of common stock to be issued to the public and 165,000 shares of common stock underlying an over-allotment option granted to the underwriter. During February 1992, the Company successfully sold the 1,100,000 original shares and 165,000 overallotment shares of common stock, resulting in approximately $5,528,000 of cash proceeds to the Company. Additionally, 358,218 warrants were exercised during February 1992 resulting in approximately $1,884,000 of cash proceeds to the Company. The Company has used the cash proceeds, in part, to pay off debt totalling $4,864,000.

NOTE 3 - INVENTORIES:

Inventories consist of the following:

	January 31, 1992	July 31, 1991
Raw materials	$ 895,000	$ 878,000
Work-in-process	2,242,000	2,094,000
Finished goods	3,728,000	3,381,000
	6,865,000	6,353,000
Less allowance for obsolete and excess inventory	(1,326,000)	(1,292,000)
	$5,539,000	$5,061,000

NOTE 4 - INCOME TAXES:

At July 31, 1991, the Company had book and federal net operating loss (NOL) carryforwards of approximately $1,658,000 and $421,000, respectively, which will begin to expire in 2004. Utilization of such NOLs are subject to annual limitations due to the Company's change in ownership in September 1990.

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." SFAS No. 109, which will become effective for the Company's 1994 fiscal year, mandates the liability method of accounting for income taxes. Under the new standard, a deferred tax liability will be recognized for taxable temporary differences and deferred tax assets will be recognized for deductible temporary differences and operating loss carryforwards. A valuation allowance would be established to reduce deferred tax assets if it is more likely than not that all, or some portion, will not be realized. The Company has not yet adopted SFAS No. 109 and the impact of SFAS No. 109, if any, on the Company's consolidated financial statements has not been determined.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

Results of Operations

Revenues for the three months ended January 31, 1992, compared to the three months ended January 31, 1991, were down $245,000, or 3.3%. For the six months ended January 31, 1992 compared to the six months ended January 31, 1991, revenues were down $664,000, or 4.3%. Revenues at National O-Ring and Stillman Seal were down due to the general economic conditions being experienced by the automotive, aerospace and defense industries. Revenues at National O-Ring continue to reflect a shift in sales to o-rings for ABS Brake Systems, fuel injectors and to a lesser degree air bags, and away from commercial o-rings used in construction and industrial applications.

Cost of goods sold for the three months ended January 31, 1992 were $5,924,000, or approximately 81.6% of revenues, as compared to $6,015,000, or 80% of revenues for the three months ended January 31, 1991. Costs of goods sold for the six months ended January 31, 1992 were $11,980,000 or 81.3% of revenues, compared to $12,326,000, or 80% of revenues for the six months ended January 31, 1991. The increased costs are due to higher costs for workers compensation and medical insurance premiums. In addition, National O-Ring continues to experience a shift in sales to o-rings used in ABS Brake Systems, fuel injectors and to a lesser degree air bags. The high quality requirements of these parts require additional quality control processes, which have increased costs of sales.

Selling, general and administrative expenses decreased to $721,000, or 9.9% of sales for the three months ended January 31, 1992, compared to $776,000, or 10.3% of sales for the three months ended January 31, 1991. For the six month period ended January 31, 1992, selling, general and administrative expenses were $1,412,000, or 9.6% of sales, compared to $1,703,000, or 11% of sales for the six months ended January 31, 1991. These cost savings were achieved by a cost containment and reduction program implemented by management beginning in November 1990. These programs included consolidation of functions between the National O-Ring and Stillman Seal businesses and reduced management salaries.

Interest expense for the three months ended January 31, 1992 was $161,000, down from $368,000, for the three months ended January 31, 1991. Interest expense for the six months ended January 31, 1992 was $334,000, down from $863,000 for the six months ended January 31, 1991. This reduction in interest expense is attributable to debt restructurings with Federal Mogul Corporation and Congress Financial Corporation, and the conversion to equity of the balance of the acquisition indebtedness related to the purchase of Stillman Seal. The Federal Mogul restructuring resulted in approximately

$2,580,000 of debt being converted into common stock in March 1991. The restructured Congress Financial agreements reduced the interest rate on amounts due Congress Financial from 6% over the prime rate during the six months ended January 31, 1991 to 2.75% over the prime rate during the six months ended January 31, 1992.

Liquidity and Capital Resources

As of January 31, 1992 the Company had net working capital of $901,000, compared to net working capital of $2,456,000, as of July 31, 1991. The decrease in working capital is a result of the reclassification of long term debt due Federal Mogul Corporation to a current liability. The Company used proceeds of its public offering (see below) to retire this indebtedness in February 1992.

Subsequent to January 31, 1992, the Company successfully completed its public offering of common stock. This resulted in proceeds of approximately $5,528,000, net of the underwriters discounts, commissions and expense reimbursements, but before legal, accounting and other expenses of the offering. In addition, warrants to purchase approximately 369,000 shares of common stock were exercised resulting in approximately $1,941,000 of gross proceeds to the Company. The Company intends to use these funds for general corporate purposes, to retire debt and to fund future acquisitions.

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." SFAS No. 109, which will become effective for the Company's 1994 fiscal year, mandates the liability method of accounting for income taxes. Under the new standard, a deferred tax liability will be recognized for taxable temporary differences and deferred tax assets will be recognized for deductible temporary differences and operating loss carryforwards. A valuation allowance will be established to reduce deferred tax assets if it is more likely than not that all, or some portion, will not be realized. The Company has not yet adopted SFAS No. 109 and the impact of SFAS No. 109, if any, on the Company's consolidated financial statements has not been determined.

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

On December 20, 1991, the Corporation held its Annual Meeting of Shareholders at the headquarters offices of the Corporation, 11634 Patton Road, Downey, California. Each of Robert M. Rubin, John Shahid and Stephen J. Hauser were reelected directors of the Corporation. The other matters voted upon and approved by shareholders at the Annual Meeting, and the number of affirmative and negative votes cast with respect to each such matter, are as follows:

Matter	Number of Affirmative Votes	Number of Negative Votes
1. Appointment of Price Waterhouse as independent auditors	2,060,986	- 0 -
2. Adoption of stock option plan pursuant to which the Corporation can grant to employees non-qualified options to acquire 171,000 shares of the Corporation's Common Stock	2,060,786	200
3. Adoption of Agreement and Plan of Merger by and between the Corporation and its wholly-owned Delaware subsidiary, to effect the reincorporation of the Corporation in Delaware	2,060,786	200
4. Authorization of an Employment Agreement between Robert M. Rubin and the Corporation	2,060,786	200

ITEM 5. OTHER INFORMATION.

The Corporation consummated a public offering of 1,100,000 shares of its Common Stock, $.01 par value (the "Common Stock"), at $5.00 per share on February 4, 1992 (the "Initial Offering"). On February 25, 1992, the Corporation consummated a closing of the over-allotment option granted to the underwriters of the Initial Offering (the "Over-allotment"), pursuant to which the corporation sold 165,000 additional shares of Common Stock at $5.00 per share. The aggregate net process received by the Corporation as a result of the Initial Offering and the over allotment were $5,527,750.

In addition, prior to their expiration at the close of business on February 10, 1992, Redeemable Warrants previously issued by the Corporation to purchase 369,218 shares of Common Stock were exercised. The gross proceeds realized by the Corporation from exercise of the Redeemable Warrants were $1,942,086.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits.

Exhibit 2.1. Agreement and Plan of Merger by and between the Corporation and Alrom Corp., dated October 25, 1991 [Incorporated by Reference to the definitive Proxy Material of Alrom Corp. filed with the Securities and Exchange Commission on December 10, 1991.]

(b) Reports on Form 8-K.

There were no Reports on Form 8-K filed during the quarter ended January 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Corporation has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: 3/9/92

AMERICAN UNITED GLOBAL, INC.
(a Delaware corporation)

By: John M Palumbo
John Palumbo, Chief
Accounting and Chief
Financial Officer

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92-2245

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One) Q 35424

__X__ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 1992

OR

_______ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number 1-4486

BEST COPY AVAILABLE

CANAVERAL INTERNATIONAL CORP.
(Exact Name of Registrant as specified in its charter)

DELAWARE	59-0933330
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

7100 Biscayne Boulevard
Miami, Florida 33138
(Address of principal executive offices)
(Zip Code)

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Microfilmed by
Q-Data Corp. - St. Petersburg, FL

(305) 759-2441
(Registrant's telephone number, including [illegible] code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No _______

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of May 9, 1992
Common Stock, $.50 per value	3,172,205

THIS DOCUMENT IS COMPRISED OF 14 PAGES

CANAVERAL INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 1992 AND SEPTEMBER 30, 1991

ASSETS	1992	1991
LAND CONTRACTS RECEIVABLE	$4,000	$282,645
Allowance for estimated loss on cancellation	(306)	(18,372)
Unamortized contract valuation discount	0	(910)
	3,694	263,363
INVENTORY OF TELEVISION SHOW:	4,000,000	4,000,000
LAND UNDER DEVELOPMENT (Foreclosure - 1992)	1,331,250	1,800,069
INVESTMENT IN AND ADVANCES TO CORPORATE JOINT VENTURE	373,808	371,032
CASH	19,854	13,271
ADVANCES AND OTHER RECEIVABLES	477,455	471,261
PROPERTY LEASED TO OTHERS	344,908	344,908
LAND INVENTORY	3,392	11,628
DUE FROM OFFICER	83,304	210,811
PROPERTY AND EQUIPMENT	180,903	186,932
OTHER ASSETS	8,958	13,769
TOTAL ASSETS	$6,827,526	$7,687,044

LIABILITIES AND STOCKHOLDER'S EQUITY

	1992	1991
LIABILITIES:		
Mortgages and notes payable	1,593,489	1,587,000
Due to Officers	686,038	1,219,364
Accounts payable and accrued liabilities	637,089	467,136
TOTAL LIABILITIES	$2,916,616	$3,273,500
CONTINGENCIES AND OTHER MATTERS (See notes for details)	-	-
STOCKHOLDER'S EQUITY:		
Preferred stock; 100,000 shares of $50 par value authorized; 20,000 shares issued	1,000,000	1,000,000
Common stock; 6,000,000 shares of $.50 par value authorized; 3,435,786 and 3,395,786 shares issu	1,717,893	1,697,893
Capital in excess of par	9,960,807	9,656,821
Accumulated deficit	(8,089,778)	(7,263,158)
Common stock in treasury; 263,581 shares for 1992 and 263,581 shares for 1991, at cost	(678,012)	(678,012)
TOTAL STOCKHOLDER'S EQUITY	$3,910,910	$4,413,544
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$6,827,526	$7,687,044

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CANAVERAL INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 1992 AND 1991
(UNAUDITED)

	1992	1991
REVENUES:		
Retail Real Estate Sales	$0	$22,319
INTEREST INCOME:		
Land Sales Contracts	0	8,787
Officers' Loans	0	4,003
Other	438	1,027
Rental	7,578	10,123
Other Income	4,414	4,292
	$12,430	$50,551
COSTS AND EXPENSES:		
Cost of Retail Real Estate Sales	0	10,525
Selling, General and Administrative E	144,604	122,449
Interest Expense	13,137	30,948
Provision for Loss on Land under Fore	552,645	0
	710,386	163,922
NET LOSS	($697,956)	($113,371)
NET LOSS PER COMMON SHARE OF STOCK	($0.22)	($0.04)
WEIGHTED AVERAGE SHARES OUTSTANDING	3,172,205	3,132,024

The results for the three months ended March 31, 1992 and 1991 are not necessarily indicative of the results of operations for the years ending September 30, 1992, and 1991, due to business fluctuations.

Loss per common share is computed by dividing the loss for the periods by the weighted average shares outstanding.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CANAVERAL INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
SIX MONTHS ENDED MARCH 31, 1992 AND 1991
(UNAUDITED)

	1992	1991
REVENUES:		
Retail Real Estate Sales	$13,600	$72,719
INTEREST INCOME:		
Land Sales Contracts	5,501	19,978
Officers' Loans	0	8,855
Other	458	1,516
Rental	14,256	17,261
Other Income	9,242	10,629
	$43,057	$130,958
COSTS AND EXPENSES:		
Cost of Retail Real Estate Sales	8,236	15,728
Selling, General and Administrative E	282,568	274,740
Interest Expense	26,228	61,878
Provision for Loss on Lend under Fore	552,645	0
	869,677	351,846
NET LOSS	($826,620)	($220,888)
NET LOSS PER COMMON SHARE OF STOCK	($0.26)	($0.07)
WEIGHTED AVERAGE SHARES OUTSTANDING	3,152,205	3,131,973

The results for the six months ended March 31, 1992 and 1991 are not necessarily indicative of the results of operations for the years ending September 30, 1992, and 1991, due to business fluctuations.

Loss per common share is computed by dividing the loss for the periods by th average shares outstanding.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CANAVERAL INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED MARCH 31, 1992 AND 1991
(UNAUDITED)

	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	($826,620)	($220,888)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	6,029	9,140
Decrease in land contracts receivable, net of allowances	259,669	71,725
Increase (Increase) of other assets	6,853	(14,483)
Increase in other liabilities	169,953	203,646
TOTAL ADJUSTMENTS	442,504	270,028
Net cash used by operating activities	(384,116)	49,140
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease/(increase) in land under development/foreclosure (1992)	468,619	(102,493)
Investment in and advances to joint venture	(2,776)	(13,498)
(Decrease)/increase in due to officers and other related parties	(405,819)	38,586
Other	0	6,878
Increase in additional paid in capital	303,986	0
Net cash provided by (used in) financing activities	364,210	(70,527)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of mortgages and notes payable	6,489	0
Payment of mortgages and notes payable	0	(26,226)
Other	0	108
Proceeds from issuance of common stock	20,000	0
Net cash provided by (used in) financing activities	26,489	(26,118)
NET INCREASE (DECREASE) IN CASH	6,583	(47,505)
CASH:		
Beginning	13,271	77,237
Ending	$19,854	$29,732
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid during the six months ended March 31, 1992 and 1991	7,500	3,100

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CANAVERAL INTERNATIONAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1992
(UNAUDITED)

Note A. BASIS OF PRESENTATION

In the opinion of management, the accompanying consolidated condensed financial statements contain all adjustments (consisting of normal receiving adjustments except as described in the following notes) which are necessary to present fairly Canaveral International Corp.'s financial position as of March 31, 1992, and September 30, 1991; the results of its operations for the three months and six months ended March 31, 1992, and March 31, 1991; and changes in financial position for the three months and six months ended March 31, 1992, and March 31, 1991.

The accounting policies followed by the Company are set forth in the Company's financial statements included in Form 10-K of September 30, 1991, and are incorporated herein by reference and should be read in conjunction with the notes thereto.

Interim financial statements and data presented herein are unaudited.

Note B. LAND UNDER DEVELOPMENT/FORECLOSURE

Land under development/foreclosure consists of the Company's share of costs for the acquisition and capitalized development costs of the Joint Venture described in Note D of the September 31, 1991, Financial Statements. On April 2, the Resolution Trust Corporation as receiver and successor to the lender of the first mortgage on the property received a Final Summary Judgment of Foreclosure from the Circuit Court of the 11th Judicial Circuit in Broward County. The land has not been sold, and is not expected to be sold until June 15, 1992, at the earliest. The Company is continuing to negotiate with the Trust for Public Land regarding its sale of the property. In conjunction with the negotiations to sell to the Trust for Public Land, an independent appraisal was made during the quarter ending March 31, 1992, and the value was estimated to be $2,662,500. Accordingly, the Company has written down its carrying value of the land to 1/2 of its appraised value and realized a loss on writedown of $552,645 in the quarter ending March 31, 1992. The final loss will not be determined until the property is sold, however, the asset is believed to be valued at no more than market value which is below cost.

Note B. TRANSACTIONS WITH RELATED PARTIES

During the period ended March 31, 1992, the President of the Company sold 300,000 shares of Registrant stock held by himself and his wife jointly. As a part of its sale, the President resigned, assigned 105,000 of debt owed to him by the Company to the Buyer and to its new President, exchanged 200,000 of debt owed by the Company to him for a 2-year, 8% promissory note due with quarterly payments of principal and interest, and forgave the balance of money owed by the Company to him. The forgiveness of debt is treated as an increase in capital and amounts to $303,000. The resigned President is continuing as a consultant for one year.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDING MARCH 31, 1992

Interest income changed as a direct result of the change in the base over which the interest is applied. The large reduction in interest on land sales contracts is a result of the December, 1991, sale of the U.S. Land Sale Contracts.

The slight decrease in rental income from 1991 to 1992 is due to a lower occupancy rate in the rental space of the Corporate Office Building.

The majority of Other revenue was generated from billing affiliated companies/co-venturers for costs incurred on their behalf.

Interest expense net of capitalized interest decreased in 1992 as a result of discontinuing the accrual of interest on amounts owed to the Officers for Deferred Compensation and unpaid Bonuses.

The current inflation impact had no effect on the Company's net sales and revenues and on operating income.

The loss on land under foreclosure is further explained elsewhere in Item 2 and in Item 1.

LIQUIDITY AND CAPITAL RESOURCES

In December, 1991, the Company sold all of the U.S. land sales receivables for $214,000. At the time of sale, the net balance of the receivables was $233,000. Of the $198,000 net proceeds after closing costs, the Company made a partial payment to the President and to the Chairman of the Board of $50,000 each against promissory notes which were previously secured by the land sales receivables. The Officers personally guaranteed the Company's guarantee to buy back any defaulted contracts at the unpaid balance. After the $100,000 payment, the principal balance of loans payable to Officers/Directors/Shareholders is $1,784.75 and $6,489.23, respectively. The balance of the proceeds were used for working capital requirements.

As of March 31, 1992, the Company had advanced approximately $443,000 to the lessee of a 75-year ground lease as follows: $190,000 towards negative cash flow (funded in prior years) and $253,000 advanced prior to 1990 primarily related to the permanent financing discussed above. These advances are to be repaid from future cash flow, including net proceeds from refinancing or sale. As of March 31, 1992, the buildings are generating positive cash flow. In 1990, $22,000 of advances were repaid and during fiscal year ended September 30, 1992, it is expected that either advances will be partially repaid or rent will be received, although no rent from cash flow has ever been received.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

In October, 1987, the Company entered into an agreement with three other parties to organize a corporation ("Ventura") for the purpose of acquiring and developing property for approximately 600 mobile homes in St. Lucie County, Florida. The Company owns 33-1/3% of the outstanding shares of Ventura and had disbursed, as of September 30, 1991, $371,000 to Ventura; $45,000 as capital and $326,000 as a loan. Ventura has purchased the property at a total cost of approximately $949,000, of which $243,000 was paid at closing. The balance, approximately $706,000, was financed by a purchase money note and mortgage, which, among other stipulations, is payable over six (6) years beginning October 30, 1988, at approximately $117,600 per year plus accrued interest on the unpaid balance. In 1990, two-thirds of the interest payment was paid by the Company and one of the partners. The non-paying partner issued a promissory note for his share. The 1990 principal and 1991 principal and interest payments are in default. The mortgage holder offered an extension until April, 1992, provided the 1991 real estate taxes were paid, which request for payment has been complied with.

Ventura is in the process of attempting to obtain financing to develop the project. It is estimated the amount of financing required to develop the property is approximately $5,400,000 of which approximately $500,000 will be used to pay off the existing mortgage and accrued interest. The Company is also exploring the possibility of selling its interest in Ventura.

In August, 1988, the Company, through its subsidiary, Green Acres, Inc., together with a 50% Joint Venturer, Lake Worth Road Corporation, purchased approximately 53 acres of land for the purpose of developing 436 housing units in Miramar, Florida. The purchase price of $2,600,000 was financed by a first mortgage bank loan of $2,000,000 and a privately placed second mortgage loan of $500,000. The Company has reflected 50% of the purchase price, acquisition and closing costs, credits and capitalized interest as Land Under Development on the balance sheet, and 50% of the financing as Mortgages and Notes Payable (Refer to Notes C and I in the September 30, 1991, Audited Financial Statements). The Company is contingently liable for the Joint Venturer's portion of the bank loan.

The writedown was based upon a recent report of an independent appraisal which is attached as Exhibit A. (See Item A, Note A for further information).

The Resolution Trust Corporation (RTC) is the Receiver and Successor to the lender of the first mortgage on the Miramar property. In October, 1991, an action to foreclose the mortgage was served on the Joint Venturers due to default under the loan. On April 2, 1992, the court awarded RTC a final summary judgment of foreclosure and during the quarter ending March 31, 1992, the Company wrote the property down $552,645.

The withdrawal was based upon a recent report of an independent appraisal which is attached as Exhibit A. (See Item A, Note A for further information).

LIQUIDITY AND CAPITAL RESOURCES (Continued)

The Trust for Public Land, a nonprofit organization, has submitted to the Joint Venturers an Option Agreement for the purchase of all or part of the property. The completion will depend upon the rezoning of the property, which the City of Miramar has approved and RTC either staying or withdrawing the availability of funds for the Trust for Public Land and the completion of the transaction prior to foreclosure sale of the property.

Although it is the Company's opinion that this transaction is viable, there are no assurances that it will be completed.

The Company leases office space, representing a portion of the corporate executive building owned by the Company, to various third parties. Rental income generated from these leases totaled approximately $14,256 in the six months ending March 31, 1992; and $17,261 for the same period in 1991.

The Company plans to fund debt maturities, as disclosed in Note I to the financial statements contained in the September 30, 1991, 10-K report, as follows:

Fifty percent (50% portion of mortgages, collateralized by land under development ($1,000,000 and $250,000) - The principal balances of the mortgages were due on February 12, 1990. As previously discussed, in October, 1991, an action to foreclose the mortgage was completed on the Joint Venturers', Green Acres, Inc., a Florida corporation (a wholly-owned subsidiary of the Company) and Lake Worth Road Corporation, a Florida corporation, due to default under the loan documents on April 2, 1992.

As previously discussed, the Trust for Public Land, a non-profit organization, has submitted to the Joint Venturers an Option Agreement for the purchase of all or part of the property. The completion of this transaction will depend upon the rezoning of the property, which the City of Miramar has granted. The availability of funds to RTC and the completion prior to the foreclosure sale.

Mortgage collateralized by the corporate executive building ($300,000) - The principal balance is due in August, 1993. Corporate management intends to extend the terms, and begin a long-term amortization of the principal balance at that time. There is no assurance that the mortgagee will agree to the extension or long-term amortization. At the present time, the interest payment due the mortgagee is in default and the real estate taxes on the building for the years 1990 and 1991 have not been paid.

Demand notes for cash loans in the amount of approximately $6,489 plus interest, payable to Officer/Director/Stockholder and his spouse, will be repaid as excess cash becomes available. However, the Officer/Director/Stockholder reserves the right to collect the amounts due as set forth by the notes and the loan agreements.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

LIQUIDITY AND CAPITAL RESOURCES (Continued)

On March 30, 1992, D. S. Dubbin, the President, Director, Shareholder and his wife sold 300,000 shares of their stock in the Company to Barry Pomerantz, an investor. In connection with the sale, Mr. D. S. Dubbin resigned as the President, whereupon Mr. William Craig was elected as the President of the Company. As a part of the sale of stock and resignation, the Company and Mr. D. S. Dubbin exchanged general releases and D. S. Dubbin and his spouse, Gladys Dubbin, assigned $105,000 of money owed to them to Barry Pomerantz and William Craig. They received a two-year, 8%, $200,000 Promissory Note payable by the Company in eight quarterly payments. Gladys and D. S. Dubbin forgave the balance of the money owed to them by the Company and the Company accordingly wrote off liabilities in the amount of $303,986. Attached Exhibits C-D are documents relative to their transaction.

As reflected in the consolidated statements of operations, the Company incurred net losses for the two years reported, as well as previous years. As reflected in Note 1 to the financial statements contained in the September 30, 1991, Form 10-K, notes and mortgages are disclosed and the first mortgage on the land was foreclosed upon April 2, 1992. The Company's portion of the mortgages, which represents 50% of the total, is $1,250,000. Management's plans regarding these matters are as follows:

1. Land under development (Note D - 10-K 9/30/91) - Continue negotiations with the identified buyer for all or part of the land.

2. Investment in corporate joint venture (Note E - 10-K 9/30/91) - Arrange for the necessary financing to develop the property and explore the possibility of selling the Company's interest.

3. Property leased to other (Note F - 10-K 9/30/91) - Hold the property and collect rent from the positive cash flow which the buildings are presently generating or sell the property. Per the ground lease agreement, the Company will share 50% of the net proceeds from the sale or the property. Management believes the Company's share of the net proceeds from the sale of the property will exceed the cost of the property plus amounts advanced to the lessee.

4. Management is attempting to raise funds through a private placement in Europe of five-year convertible debentures for $7,500,000.

5. The Officers/Directors/Shareholders/ are attempting to bring new capital into the Company through negotiations with unrelated parties. No agreements have been entered into at the time of this report. If an Agreement is consummated, the effect may be a change in control and/or management.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

There is no assurance that any of the above-listed plans will be completed.

Subsequent to the six months ending March 31, 1992, the new management of the Company have negotiated four transactions which should have positive effects on the Company's operations. The projects are as follows:

1. The Company, through its wholly-owned subsidiary, Media Communications Corp. (MCC), has entered into a contract to purchase a $10 million Country Gospel Music Library for $600,000 in notes maturing 1/2 in 6 months and the balance in 12 months and 40,000 shares of MCC Series A, $50 Par Value Convertible Preferred Stock. As a part of the purchase, the sellers are guaranteeing $10 million of revenue within 13 months of funding the operation of the Library. The revenue will be 1/4 cash and 3/4 in approved television commercial advertising time. Six thousand (6,000) shares of MCC stock will be held in escrow to guarantee the revenue.

2. The Company is about to complete the acquisition of a Video and Film Library valued at $8 million. The payment by the Company will be the issuance of 20,000 shares of the Company $50 Par Convertible Preferred Stock and the issuance of a $150,000 promissory note due in six months.

3. The Company has entered into an agreement to acquire the assets of a subsidiary of a Nevada corporation that is in the process of liquidating its operating assets. It is envisioned that the remaining net assets acquired by the Company will consist of certificates of deposits and receivables exceeding $11.8 million. The Company will issue 6,764,410 newly issued shares of common stock.

4. The terms and conditions of a Private Placement in Europe are in the process of being finalized. The Placement will be $7.5 million in convertible debt instruments due in five years. The repayment will be guaranteed by a sinking fund at inception of $4.5 million after commission and costs, the Company should net $2.5 million in cash. This debt is convertible into common shares of the subsidiary at the ratio of $5 per share. At least two of the above transactions are expected to be compensated during the quarter ending June 30, 1992, and will be reflected in its financial statements at that time.

5. The Company has entered into a contract to sell its corporate executive building located at 7100 Biscayne Boulevard, Miami, Florida 33138, to Biscayne Medical Arts, Inc., (hereinafter called "MED"). In part, the agreement calls for the transfer of the executive corporate building of Canaveral International Corp. (CIC) in exchange for 70% of the stock of MED. Also, MED owns, through its subsidiaries, a company called Global Food and Medical Trading, Inc., a Florida corporation, and properties located at 178 N.W. 54th Street, Miami, Florida, and 7300 Biscayne Boulevard, Miami, Florida. MED operates a family medical clinic doing business under the name of International Family Medicine, Inc. (IMF), and is expanding to other clinical locations. After the completion of the merger, CANI shall own 70% of the stock in MED and the former owners of MED and IFM will own 30% of the new entity.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

6. Drawing on years of experience of acquiring, building and managing real estate, CIC plans to evaluate income reducing properties as they enter the market for resale from Resolution Trust Corporations, Savings and Loans and Commercial banks. CIC intends to aggressively acquire, through high leverage financing, these properties which meet the income producing and cash flow requirements established by the Company.

7. The Company, through its former directors, board of directors and extensive business contacts, has a vast number of cash flow core businesses that it is at the present time evaluating. These core business would become a valued part of the CIC corporate structure. The Company, through its many years of being diversified in many fields, has the expertise to evaluate these core businesses as to cash flow and to growth potential.

Part 2. Other Information

Item I. Legal Proceedings

A. In December, 1990, the Company was awarded damages in the amount of $65,000 resulting from litigation with an unrelated third party to collect on a $65,000 installation note which matured on October 31, 1989. The $65,000 represents the balance of a non-refundable commitment fee for expenses, work and services in connection with the acquisition of certain assets from this third party by the Company. The accompanying financial statements do not reflect the award since collection is presently unknown.

B. An action had been commenced in the United States Court for the Southern District of Florida against Canaveral International Corp. (the Registrant) and others. The title to the action is Ronald Singer, as general partner of Investment Associates, Ltd., a/k/a Investments Associates, Ltd., of California, a California limited partnership, versus Central Bank & Trust Company, n/k/a NCNB National Bank of Florida; Canaveral International Corp.; Canaveral Financial Corp., N.V.; and Colonial Coach Estates Lake Worth, Inc. (Docket Number 90-1547).

Subsequent to the six months ended March 31, 1992, all parties to the suit finalized a settlement which will have no cost to the Company, and will return 98,000 shares of Company common stock to the Company.

C. The Company was notified that a case which had previously been dismissed has been re-opened, wherein the Plaintiff alleges that the Company defaulted on the repayment of a promissory note, the outstanding balance of which is claimed to be $27,000.00. The Company does not expect any negative impact resulting from this suit.

D. The Company is also involved in another litigation incident to its operations and has filed a counterclaim in this action, but does not expect the outcome will have a material effect on its operations.

Part 2. Other Information (Continued)

Item 2. Changes in Securities - None

Item 3. Defaults Upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders
None

Item 5. Other Information - None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit I - Calculation of Loss Per Share

(b) Exhibit A - Independent appraisal letter regarding the value of the land under foreclosure.

(c) Exhibit B - Copy of assignment of $105,000 debt from Daniel S. Dubbin and his wife, Gladys Dubbin to Barry Pomerantz and William Craig dated 3/18/92.

(d) Exhibit C - Copy of promissory note issued to D.S. Dubbin in conjunction with his sale of stock and partial forgiveness of debt.

(e) Exhibit D - Copy of the general release from D. S. Dubbin and Gladys Dubbin to the Company dated 3/30/92.

(f) A current report on Form 8-K dated March 12, 1992, and March 30, reporting Item 5 other events was filed during the quarter for which this quarterly report is filed.

See attached Exhibits numbered

(f) 1: 8K dated March 12, 1992

(f) 2: Form 8 dated March 23, 1992

(f) 3: 8K dated March 30, 1992

EXHIBIT I

CANAVERAL INTERNATIONAL CORP. AND SUBSIDIARIES
CALCULATIONS OF LOSS PER SHARE

FOR THE SIX MONTHS ENDED MARCH 31	ACTUAL OUTSTANDING SHARES	ACTUAL OUTSTANDING SHARES (1)
1992		3,152,205
Beginning Balance	3,132,205	
Ending Balance	3,172,205	
1991		3,131,973
Beginning Balance	3,131,923	
Ending Balance	3,132,225	

(1) No consideration was given to the exercise of stock options or warrants since the results would be anti-dilutive or less than 3%

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed in its behalf by the undersigned hereunto duly authorized.

CANAVERAL INTERNATIONAL CORP.
(Registrant)

DATE: May 14, 1992

William Craig, President/Treasurer

EXHIBIT "A"

PEDERSON & TRASK INC.

David A. Pederson, MAI
President
George A. Trask, MAI
Executive Vice President

FORT LAUDERDALE OFFICE
4604 N. Federal Highway
Fort Lauderdale, Florida 33308
(305) 776-1300 • Telecopier 776-5929
Palm Beach Line 833-8943

WEST PALM BEACH OFFICE
Suite 200
2 Harvard Circle
West Palm Beach, Florida 33409
(407) 640-3347

March 18, 1992

File #2961.let

'92 MAR 23 PM 4

Messrs. Henry Dubbin, Dan Dubbin, and Jack Armarnik
Green Acres, Inc. and Lake Worth Road Corporation
7100 Biscayne Boulevard
Miami, Florida 33138

RE: Our File No. 2961
Appraisal of 53.246 acres of residential land
Location: County Line Road, Miramar, Florida

Gentlemen:

As of the date of my appraisal of the above referenced property, there were a number of unresolved issues that could have affected my value estimate. The issues were all summarized in the transmittal letter and each had a possible impact on the development potential of the subject land.

As a point of clarification, in my opinion it was reasonably probable at the time of my appraisal that the ultimate resolution of these points would be favorable for development of the subject land. Therefore, my value reflected the expectation by a prospective purchaser that sewer and water would be available and that the compact deferral status would be lifted and that the property would be rezoned to R-1B allowing residential development at a density of 5 units per acre.

As of the date of this letter, the property has in fact been rezoned and the City of Miramar has confirmed that the compact deferral status has been lifted and that sewer and water have been reserved so that development of the property can immediately proceed as zoned. These facts reaffirm the accuracy of my assumptions in January which were the basis of my $50,000 per acre appraised value. Therefore, confirmation of these facts does not change my value conclusion but rather serves to reinforce the validity of the conclusion.

Additionally, it is my understanding, from reading Ordinance 92-27, that the City of Miramar will not deny development approval of the subject property based on the possible presence of an archaeological landmark. Instead, the

City would require monitoring of excavation and site development work. If, in the course of monitoring, the City officially designates an area of the subject property as an archaeological landmark, then development work would be halted pending issuance of a permit to proceed. If a permit was denied, it would appear that the agency denying the development rights would be obligated to buy the property at its market value.

I hope this letter clarifies the basis of my value estimate. Again, my value, as of January, essentially reflects the fact that an informed purchaser, at the time, would have anticipated the successful resolution of all development obstacles noted in my appraisal and would have paid a price based on the assumption that residential development of the property could proceed at a density of five units per acre.

Please let me know if you have any further questions or need additional clarification of my appraisal and analyses.

Sincerely,

D. A. Pederson

David A. Pederson, MAI
State Certified General Appraiser No. 686

EXHIBIT "B"

DANIEL S. DUBBIN
7100 Biscayne Boulevard
Miami, Florida 33138

March 18, 1992

IRREVOCABLE ASSIGNMENT

Canaveral International Corp.
7100 Biscayne Boulevard
Miami, Florida 33138

Gentlemen:

We, the undersigned, do hereby irrevocably assign to Barry Pomerantz, at 11 Broadway, 10th Floor, New York, New York 10004, and William Craig, at 2760 N.E. 19th Street, Fort Lauderdale, Florida 33305, $105,000.00 of the $580,363.63 due the undersigned, for salaries, bonuses, deferred compensation, and loans, and direct that they be paid said sum from the aforesaid sums due the undersigned.

WITNESSES:

D. S. DUBBIN

Gladys Dubbin
GLADYS/DUBBIN

This assignment is hereby accepted and approved by Canaveral International Corp.

ATTEST:

CANAVERAL INTERNATIONAL CORP.

President

THE ABOVE IS A TRUE AND CORRECT COPY OF THE IRREVOCABLE ASSIGNMENT BY D.S. DUBBIN AND GLADYS DUBBIN TO BARRY POMERANTZ AND WILLIAM CRAIG.

NOTARY PUBLIC
STATE OF FLORIDA AT LARGE

MY COMMISSION EXPIRES:

NOTARY PUBLIC STATE OF FLORIDA
MY COMMISSION EXP. APR.21,1996
BONDED THRU GENERAL INS. UND.

EXHIBIT "C"

PROMISSORY NOTE

$200,000.00 , March 25 1992

Two (2) years after date, for value received, we promise to pay to the order of D. S. DUBBIN and GLADYS DUBBIN, husband and wife, as tenants by the entireties.

TWO HUNDRED THOUSAND and 00/100 DOLLARS.

This note is payable at Canaveral International Corp., 7100 Biscayne Boulevard, Miami, Florida 33138, or at any other address upon written notice from the payee to Canaveral International Corp., and Barry Pomerantz at 11 Broadway, New York, New York 10004.

The interest on this note is at the rate of 8% per annum from the above-written date until fully paid, with interest and principal payable quarterly as per attached payment schedule.

The maker and guarantor of this note further agree to waive demand, notice of non-payment and protest, and in case suit shall be brought for the collection hereof, or the same has to be collected upon demand of an attorney, to pay reasonable attorney's fees and court costs for making such collection.

In the event of default of any payment on this note, the entire balance due on this note becomes due and payable to D. S. DUBBIN and GLADYS DUBBIN without demand, with interest at 18% per annum from the date of default, and Canaveral International Corp. and the guarantor shall be jointly and severally responsible for payment hereon. All payments are to be made to D. S. DUBBIN and GLADYS DUBBIN.

In the event that either the maker or the guarantor of this note shall become insolvent or file for bankruptcy, then this note and all accrued interest thereon shall become due and payable.

This note shall be governed by the laws of the State of Florida.

SIGNED, SEALED AND DELIVERED
IN OUR PRESENCE:

Carmen Caraballo

CARMEN CARABALLO
Notary Public, State of New York
No. 24-4970766
Qualified in Kings County
Commission Expires August 20, 19 92

CANAVERAL INTERNATIONAL CORP.

BY: ______ President

ATTEST: ______ Secretary

Barry Pomerantz, Individual
Guarantor

PAYMENT SCHEDULE FOR

PROMISSORY NOTE

$200,000.00 March 26, 1992

TWO HUNDRED THOUSAND and 00/100 DOLLARS,

Payable two (2) years after date,

principal and interest at 8% per annum payable quarterly:

1st Quarter	$25,000 principal plus $4,000 interest	=	$29,000
2nd Quarter	$25,000 principal plus $3,500 interest	=	$28,500
3rd Quarter	$25,000 principal plus $3,000 interest	=	$28,000
4th Quarter	$25,000 principal plus $2,500 interest	=	$27,500
5th Quarter	$25,000 principal plus $2,000 interest	=	$27,000
6th Quarter	$25,000 principal plus $1,500 interest	=	$26,500
7th Quarter	$25,000 principal plus $1,000 interest	=	$26,000
8th Quarter	$25,000 principal plus $ 500 interest	=	$25,500

BARRY POMERANTZ

CANAVERAL INTERNATIONAL CORP.

WILLIAM CRAIG, PRESIDENT

EXHIBIT "D"

GENERAL RELEASE

KNOW ALL MEN BY THESE PRESENTS:

That D.S. DUBBIN, INDIVIDUALLY, and GLADYS DUBBIN, HIS WIFE, INDIVIDUALLY, and all heirs, legal representatives, and assigns of the individuals, for and in consideration of the sum of Ten Dollars ($10.00) and other valuable consideration received from the parties hereto, the receipt of which is hereby acknowledged,

DO HEREBY release CANAVERAL INTERNATIONAL CORP., a Delaware corporation, its successors or assigns, of $580,363.63 due D.S. Dubbin and $21,560.00 due Gladys Dubbin, with the exception of the sum of $105,000.00 which is owed by the corporation to D.S. Dubbin and Gladys Dubbin, which is in turn to be assigned by D.S. Dubbin and Gladys Dubbin to Barry Pomerantz, and the sum of $200,000.00 which is to be paid by the corporation to D.S. Dubbin and Gladys Dubbin in the form of a two-year note, and with the further exception that this General Release shall not release Canaveral Internation Corp. from its obligation set forth in the Amendment to Article XXVI of the Bylaws of Canaveral International Corp. as adopted at the Annual Stockholders Meeting held on July 31, 1987, which Amendment serves to indemnify D.S. Dubbin and Gladys Dubbin in the event they are made a party to or threatened by any contemplated action, suit or proceeding, whether civil, criminal, administrative or investigative, and said obligation of Canaveral International Corp. shall remain in full force and effect, and DO HEREBY remise, release, acquit, satisfy and forever discharge the corporation from any and all manner of claims, action and actions, cause and causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, executions, claims and demands whatsoever, except as set forth hereinabove, in law or in equity, which said parties ever had or now have against each other or in which any personal representatives, successors, heirs, or assigns of any said party hereafter can, shall or may have against each other upon or by reason of any matter, cause or thing whatsoever, from the beginning of the world to the date of these presents.

IN WITNESS WHEREOF, we have hereunto set our hands and seals this 30 day of March, A.D., 1992.

Signed, sealed, and delivered
in the presence of:

Gladys Dubbin

D. S. Dubbin, Individually

Gladys Dubbin, Individually

STATE OF FLORIDA)
COUNTY OF DADE)

I HEREBY CERTIFY that on this day personally appeared before me, an officer duly authorized to administer oaths and take acknowledgments,

D. S. Dubbin

Gladys Dubbin

to me well known to be the persons described in and who executed the foregoing General Release, and they acknowledged before me that they executed the same freely and voluntarily for the purpose therein expressed.

IN WITNESS WHEREOF, I hereunto set my hand and official seal at Miami, Florida, said County and State, this 30 day of March, 1992.

MY COMMISSION EXPIRES:

NOTARY PUBLIC, State of Florida

[illegible] OF FLORIDA
[illegible] 1993
[illegible] INS. UND.

EXHIBIT "f 1"

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

DATE OF REPORT (Date of earliest event reported) - March 12, 1992

CANAVERAL INTERNATIONAL CORP.
(Exact name of registrant as specified in its charter)

DELAWARE	1-4486	59-0933330
(State or other jurisdiction of incorporation or organization)	Commission File Number	(I.R.S. Employer Identification Number)

7100 BISCAYNE BOULEVARD, MIAMI, FLORIDA	33138
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (305) 759-2441

ITEM 5. OTHER EVENTS

As previously disclosed, the Resolution Trust Corporation (RTC), as receiver and successor to the lender of the first mortgage on the Oaks of Miramar property, in October 1991 commenced an Action to Foreclose the mortgage on the property. This Action was filed by RTC in the Circuit Court of the 17th Judicial Circuit in and for Broward County, Florida, and served on the Defendants, Green Acres Inc. (a wholly-owned subsidiary of the Registrant) and Lake Worth Road Corporation on October 15, 1991.

The Oaks of Miramar property is identified in the Registrant's Balance Sheet as Land Under Development.

The Registrant received notice on March 12, 1992, that the RTC had filed a Motion for Final Summary Judgment of Foreclosure, with hearing on this Motion scheduled for April 2, 1992.

On March 12, 1992, the Registrant received a letter from J. Cameron Story, III, Esq., Gunster, Yoakley & Stewart, P.A., attorneys for the RTC, (copy of letter attached as Exhibit I), regarding The Trust for Public Land's request for an extension of their Option Agreement to purchase all or part of the Oaks of Miramar property. The Company has granted the requested extension (copy of extension approval is attached as Exhibit II.)

If the above Motion for Summary Judgment is granted, the Registrant would lose control of the property. As of December 31, 1991, the asset was valued at approximately $1,842,000 with $1,250,000 of principal mortgages and accrued but unpaid interest of approximately $300,000.

The real estate taxes have not been paid for the past three years, of which the Registrant's share is approximately $80,000.

The total loss to the Registrant cannot be fully identified since it could depend upon the amount that is ultimately realized upon disposal, but could exceed $500,000, and it is expected that this loss will be reflected in the financial statements for the period ending March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DATE: March 24, 1992

CANAVERAL INTERNATIONAL CORP.
(Registrant)

BY:
Daniel S. Dubbin
President

GUNSTER, YOAKLEY & STEWART, P.A.
ATTORNEYS AT LAW
BROWARD FINANCIAL CENTRE BUILDING, SUITE 1400
500 EAST BROWARD BOULEVARD
FORT LAUDERDALE, FLORIDA 33394-3088

PLEASE REPLY TO
P.O. BOX 14636
FORT LAUDERDALE, FLORIDA 33302-4636

TELEPHONE (305) 462-2000
FAX (305) 523-1722

OTHER OFFICES IN:
STUART, FL [illegible]
WEST PALM BEACH, FL [illegible]

OUR FILE NUMBER: 13305.4
WRITER'S DIRECT DIAL NUMBER:

March 11, 1992

VIA FACSIMILE: 305-757-2145

Paul E. Gifford, Esquire
7100 Biscayne Boulevard
Miami, Florida 33138-5702

Re: RTC vs. Green Acres, Inc., et al.
Case No. 91-029206 (23)

Dear Paul:

This letter will confirm the substance of the telephone conversation held between your clients, Messrs. Armarnik and Dubbin, and you, and my client, Evan Fears, as Agent for the RTC, and me, held on the afternoon of Wednesday, March 11, 1992, concerning the above styled cause. As Mr. Fears stated to you, it is the desire of the RTC, as Receiver for Ambassador Federal Savings, to take whatever actions will be most prudent to recover the indebtedness which is the subject matter of this litigation. Likewise, it should be your clients' goal to facilitate the repayment of their debt to the RTC.

At the present time, it is our understanding that the Trust For Public Lands ("TPL") requires an extension of the option which it holds for the purchase of the mortgaged property, for an additional thirty (30) days, to facilitate its completion of a closing. Inasmuch as a purchase of the mortgaged property by TPL presents a potential source for the repayment of the subject debt, we expect that your clients will grant the extension prayed for. If such an extension is granted, the RTC agrees that it will not conclude any foreclosure sale on the mortgaged property, pending the outcome of the efforts of the TPL to purchase the site.

EXHIBIT I

2

You may notify us of your giving of the extension sought by the TPL, by copying us with any correspondence with them communicating your agreement to the extension sought. Please keep in mind that Mr. McClymonds must receive word of your granting of the subject extension immediately, inasmuch as his superiors in California expect him to communicate with them on Friday, March 13, 1992, that the extension is in place.

We appreciate your cooperation in this matter, and look forward to receiving a copy of the anticipated correspondence. Until then, I remain

Sincerely yours,

J. CAMERON STORY, III
For The Firm

JCS/vcd/387/1354

cc: Mr. Evan Fears

THE TRUST FOR PUBLIC LAND

March 12, 1992

Mr. D.S. Dubbin
Mr. Jack Armarnik
Green Acres, Inc. and
Lake Worth Road Corp.
7100 Biscayne Boulevard
Miami, Florida 33138

Re: Option Agreement, dated 12/4/91 between Green Acres, Inc. & Lake Worth Road Corp. and TPL - Granting an Option to TPL (53 acres in Miramar - Old Perry Farm)

Dear Messrs. Dubbin and Armarnik:

This will confirm our conversation to the effect that in consideration of TPL's continued efforts to obtain funding from the State of Florida for public acquisition of the subject property, you agree to extend the term under Paragraph 2 of the Option Agreement one week through April 7, 1992. Thereafter the Option will be automatically extended, three successive times (April 7 - 14, April 15 - 21 and April 22 - 30), to continue negotiations for public acquisition of the property and obtain approval of any negotiated contract by TPL's Board of Directors. This is the only modification to the Option Agreement.

Please sign a copy of this letter and return to me indicating your approval of the foregoing. Thank you for your cooperation.

Very truly yours,

Robert C. McClymonds

Robert C. McClymonds
Project Manager

RCM/hr
Encl.

THE FOREGOING EXTENSION IS APPROVED.

March 13, 1992
Green Acres, Inc.
By: ____________
Its: Pres

March 13, 1992
Lake Worth Road Corp.
By: ____________
Its: President

DADE BRANCH OFFICE
7900 RED ROAD
SUITE 33
SOUTH MIAMI
FLORIDA 33143
(305) 667-6600
FAX (305) 667-0677

EXHIBIT "E 2"

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8

AMENDMENT TO APPLICATION OR REPORT
Filed pursuant to Section 12, 13, or 15(d) of
THE SECURITIES EXCHANGE ACT OF 1934

CANAVERAL INTERNATIONAL CORP.
(exact name of registrant as specified in charter)

AMENDMENT NO. 1

The undersigned registrant hereby amends the following items, financial statements, exhibits or other portions of its Annual Report for the fiscal year ended September 30, 1991, on Form 10-K (Commission File No. 1-4486) as set forth in the pages attached hereto:

Item No.	Description	Pages in this Amendment
1.	BUSINESS	1 through 9
2.	PROPERTIES	10
3.	LEGAL PROCEEDINGS	11, 12
6.	SELECTED FINANCIAL DATA	13
7.	MANAGEMENT'S DISCUSSION and ANALYSIS	14 through 21
8.	FINANCIAL STATEMENTS	22 through 43
10.	DIRECTORS and EXECUTIVE OFFICERS	44
14.	EXHIBITS, FINANCIAL STATEMENT SCHEDULES	45 through 48

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

CANAVERAL INTERNATIONAL CORP.
(Registrant)

BY: ______________________
D. S. Dubbin, President

March 23, 1992

PART I

Item 1. BUSINESS

General

The Company, through its wholly-owned subsidiaries and joint ventures, engages in real estate developing and sales. The Company sells improved and unimproved land, on a retail basis, in Florida and Texas. Sales of lots are typically made to individuals on an installment contract basis, whereby an agreement for deed is entered into by the Company and the buyer.

All of the development costs for the wholly-owned subsidiaries engaged in retail land sales have been incurred prior to 1987. More than 86% of the revenues for the past five (5) years have been generated from the retail land sales business. The cost of sales by the retail land sales subsidiaries consists only of the expensing of inventory as sold, and the selling-related costs. There are no further development costs to be incurred regarding the retail land sales companies.

Due to economic conditions and since there is less than three-quarters of one percent of the original land purchased for retail sales remaining in inventory, the Company is discontinuing its retail land sales business. It is not envisaged that there will be any costs associated with the discontinuance of retail sales since it is a gradual sell-out process. There are still 27 acres of land to be sold in Canaveral Acres and one lot in Okeechobee.

The Company has never been dependent upon a single or few customers for sales, the loss of which could have an adverse impact on operations. There are no revenues subject to renegotiation or government contract cancellation.

In 1991 the Company entered the Country Gospel Music Television Industry by acquiring a library of 230 Country Gospel Music Television shows. It is the Company's intent to syndicate the shows as soon as working capital is available. There have been no operations involving the television shows since acquisition in August 1991. Upon the commencement of television operations, it is intended that the cost of the television shows will be recognized and matched against the revenues generated from the shows.

The proposed television operations consist of several divisions and include the addition of highly respected and knowledgeable management from the television industry. In Phase A it is intended that (1) additional film libraries will be acquired and, together with the existing library of films, two new television series will be produced and syndicated; (2) home video packages will be produced from the existing and any newly acquired inventory of films; (3) the final part of Phase A consists of the production of new videos from the country gospel music entertainers. The two new series will be targeted to broadcast on 100 television stations and two cable networks in the U.S. The initial market of the broadcast stations is expected to be in the "low-power" television industry across the nation. With the constantly increasing popularity of country gospel music, it is expected that this phase of television operations will be moderately profitable. The Phase A television operations' start-up costs are expected to range from $300,000 to $500,000 depending upon how much is undertaken at the same time. Financing of the start-up costs is being sought at the present time, and it is expected to be completed and in place within the next six (6) months. The start-up costs will consist primarily of salaries, facility, equipment and other syndication and marketing costs. The Company at this time is attempting to arrange for a loan through a European investment broker to cover the start-up costs. However, there is no assurance that the Company will be successful in obtaining this loan.

General (Continued)

Revenue, operating profits (loss) and identifiable assets are summarized below for the three years ended September 30, 1991.

	Fiscal Year Ended September 30,		
	1991	1990	1989
Revenue			
Real estate (1)	$ 194,817	$ 528,688	$ 263,587
Other	38,505	55,875	42,985
	$ 233,322	$ 584,563	$ 306,572
Operating Profits (Loss) (1)			
Real Estate	$(681,680)	$(436,988)	$(574,156)
Other	38,505	55,875	42,985
Net Loss	$(643,175)	$(381,113)	$(531,171)
Identifiable Assets (1)			
Real Estate	$ 3,449,193	$ 3,642,808	$ 3,795,592
Inventory - Television Shows	4,000,000	-0-	-0-
Other	237,851	286,136	237,250
Total	$ 7,687,044	$ 3,928,944	$ 4,032,842

(1) Foreign operations, which represent less than 10% of the total revenue and identifiable assets, are included herein.

Other revenue is generated from billing affiliated companies, primarily co-venturers, for costs incurred on their behalf.

REAL ESTATE SEGMENT

The Company owned, as of September 30, 1991, eight real estate developments listed below, which are more fully described in the succeeding sections:

Location	Date Acquired	Original Acreage	Approximate Acreage Unsold Sept. 30, 1991
Canaveral Groves* (Near Cape Canaveral, Florida)	1959	8,861	0
Canaveral Acres* (Holopaw, Osceola County, Florida)	1962	2,599	36
Freeport Ridge Estates* (Freeport, Grand Bahama Island)	1964	400	0
University Oaks* (Near Gainesville, Florida)	1979	317	0
Peace River Shores* (Punta Gorda, Florida)	1971	40	0
St. Augustine* (Near St. Augustine, Florida)	1971	56	0
Okeechobee (Near Okeechobee, Florida)	1965	13	1
Last Frontier Ranch (Jeff Davis & Presidio County, Texas)	1974	5,325	0

*These developments are registered with the Florida Division of Land Sales, Condominiums and Mobile Homes, and with the U.S. Department of Housing and Urban Development (HUD).

Land sales are made directly by the Company to the purchasers or by independent brokers. Commissions to independent brokers are 10% of the sales price.

All letter references to Consolidated Financial Statements can be found following Item 8 under Part II hereafter.

The retail land sales business of the Company has been in operation for over thirty (30) years. All sales are made in compliance with regulatory agencies as relevant and appropriate to the individual state or locality involved. The sales have been both cash and installment payments. The majority of sales are made by issuing an "Agreement for Deed" to the buyer and after full payment has been received, a "Warranty Deed" is issued. The terms range from payment in full at closing to 20 years, with the average installment payment period being five (5) years. Interest rates on the outstanding contracts at September 30, 1991, range from 6% to 11%. The weighted average interest rate is 9.5%. For the past five (5) years, the average down payment has been 10%.

REAL ESTATE SEGMENT (Continued)

General (Continued)

CANAVERAL GROVES

Canaveral Groves, Inc. ("Groves"), a wholly-owned subsidiary of the Company, purchased 8,861 acres in Brevard County, Florida, in 1959 at a cost of $1,256,000. The tract, which is zoned agricultural with some residential, has been subdivided and developed. The property is located near Cape Canaveral and five miles north of Cocoa, Florida. At September 30, 1991, Groves had approximately $56,000 of land contracts receivable and all lots sold. Approximately $4,000 is reserved for cancellations.

Sales of lots commenced shortly after acquisition. All development has been completed for over five (5) years. The 1991 sales consisted of two (2) lots for $15,000 cash.

CANAVERAL ACRES

Canaveral Acres Inc. ("Acres"), a wholly-owned subsidiary of the Company, purchased approximately 2,599 acres in Osceola County, Florida, in 1962 at a cost of approximately $535,000. This tract, which is zoned agricultural, has been substantially subdivided and developed. The property is located 40 miles southwest of Cape Canaveral and 30 miles from Disney World. At September 30, 1991, Acres had approximately $125,000 of land contracts outstanding and 36 lots unsold which are carried in inventory at $11,600. Approximately $8,000 is reserved for cancellations.

Sales of lots commenced shortly after acquisition. All development has been completed for over five (5) years. The 1991 sales totaled 15 contracts for $83,400. The terms varied from cash sales to 10% down and payments for five (5) years at 11% interest.

FREEPORT, GRAND BAHAMA

Freeport Ridge Estates Limited ("Freeport), a wholly-owned subsidiary of the Company, acquired 400 acres in Freeport, Grand Bahamas, in 1964 for $750,000. The tract, which is zoned multiple-family dwellings, was subdivided into 1,000 lots. At September 30, 1991, Freeport had approximately $5,000 of land contracts outstanding and all lots sold. Approximately $300 is reserved for cancellations.

Sales of lots commenced shortly after acquisition. All development has been completed for over five (5) years. There have been no sales since November 1988.

UNIVERSITY OAKS

International Isles, Inc. ("Isles"), a wholly-owned subsidiary of Canaveral Groves, Inc., acquired 254 lots in Levy County, Florida, in 1979 for approximately $533,508, together with 82 contracts for deed with a balance of approximately $474,000. This tract is zoned for mobile homes and residential. At September 30, 1991, Isles had approximately $12,000 of land contracts outstanding and all lots sold. Approximately $800 is reserved for cancellations.

UNIVERSITY OAKS (Continued)

Sales of lots commenced shortly after acquisition. All development has been completed for over five (5) years. The 1991 sales consist of one lot for $1,500 cash.

PEACE RIVER SHORES

Sea Research, Inc. ("Research"), a wholly-owned subsidiary of the Company, acquired 142 improved parcels in Punta Gorda, Florida, in 1971 for approximately $103,000. In 1973, 16 additional parcels were acquired for $11,568. These parcels, which are zoned residential, waterfront residential, multiple dwelling, and commercial, are approximately 1/4 acre each and are in an existing subdivision in which approximately 100 homes had already been built by another developer. At September 30, 1991, Research had approximately $23,000 of land contracts outstanding and all lots sold in Peace River Shores. There is approximately $1,500 in a reserve for cancellations.

Sales of lots commenced shortly after acquisition. All development has been completed for over five (5) years. The 1991 sales consisted of two contracts totaling $8,400. One contract was a cash sale and the other was 10% down with monthly payments for five (5) years at 11% interest.

ST. AUGUSTINE

Research (see above) purchased five parcels totaling 9,000 feet of highway frontage on U.S. Route 1 near St. Augustine, Florida, in September 1971 for $122,850. This tract, which is zoned open rural and industrial warehousing, was subdivided into 255 parcels. At September 30, 1991, Research had approximately $21,000 of land contracts outstanding and all lots sold in St. Augustine. Approximately $1,400 is reserved for cancellations.

Sales of lots commenced shortly after acquisition. All development has been completed for over five (5) years. The 1991 sales consisted of one contract for $5,000. The terms were 20% down and the balance paid in six equal monthly payments without interest.

OKEECHOBEE

Able Engineering Company, Inc. ("Able"), a wholly-owned subsidiary of the Company, acquired two parcels in Okeechobee County, Florida, in 1965 for $70,000 in exchange for securities and received clear title in March 1973. These parcels consist of approximately 10 improved acres ("El Mirasol") and approximately 3 improved acres ("Connors Gables"). The two tracts, which are zoned residential, consisted of 69 lots in El Mirasol and 19 lots in Connors Gables. During the year ended September 30, 1991, Able collected the last of the land contracts outstanding and has no further lots for sale.

Item 1. BUSINESS (Continued)

REAL ESTATE SEGMENT (Continued)

General (Continued)

LAST FRONTIER RANCH

Last Frontier Ranch, Inc. ("Frontier"), a wholly-owned subsidiary of the Company, purchased approximately 23,000 acres in Jeff Davis and Presidio Counties, Texas, in January 1974 at a cost of $757,000 together with five options on an additional 57,000 acres. In 1976 Frontier returned approximately 17,675 acres to the original owners and abandoned the options to acquire the additional acreage. In return, all debt relating thereto was forgiven. The remaining tract of 5,325 acres, which is unzoned, was being sold in 10-acre parcels with 3,700 acres reserved for hunting privileges of purchasers of 10-acre parcels. During 1990 Frontier sold all of the remaining acres of land in Texas to an individual buyer for cash. Frontier retains all mineral rights on the sale of individual lots allowed by the State of Texas on the 38 sales of 10-acre lots currently under agreement for deed. At September 30, 1991, Frontier had approximately $40,000 of land contracts outstanding and no unsold land. Approximately $2,600 is reserved for cancellations.

Sales of lots commenced shortly after acquisition. All development has been completed for over five (5) years. There have been no sales of individual lots since March 1988.

5700 PROFESSIONAL PARK

The Company, through its subsidiary Green Acres Inc., ("G.A.") entered into a ground lease in June 1984 with an unrelated third party on a piece of commercial property Green Acres Inc. owned in Palm Beach County, Florida. The lease is for 75 years for which Green Acres Inc. received cash of $400,000 as prepaid rent for the first five years. Most of the proceeds from the prepaid rent were used to pay off a $350,000 mortgage note held on the property. The remaining deferred rent of $25,000 as of September 30, 1988, was realized (Refer to the Statements of Operations - Item 8) in 1989.

Two office buildings, known as 5700 Professional Park, have been constructed on the property by the lessee. As part of the rental the lessee agrees to pay the Company 50% of all positive cash flow. At its option, the Company may reimburse the lessee 50% of any negative cash flow. Should the lessee be required to advance money to the project in accordance with the ground lease in excess of the Company's contribution, then the lessee will be entitled to receive interest on such funds from the cash flow of the buildings. The Company has advanced the lessee $443,000 as of September 30, 1991. Said sum, which is an obligation of the lessee, is to be repaid from the cash flow including net funds from refinancing or sale of the buildings.

As of September 30, 1991, the buildings are 94% leased and during the 12 months ended December 31, 1991, generated positive cash flow. During the 12 months ended December 31, 1990, the cash flow was just slightly negative. During the Company's fiscal year ended September 30, 1990, $22,000 of advances were repaid and during the fiscal year ending September 30, 1992, it is expected that either advances will be partially repaid or rent payments will be received. The lease term for tenants in the buildings ranges from one to seven years with the average lease being five years.

Item 1. BUSINESS (Continued)

5700 PROFESSIONAL PARK (Continued)

In April 1988 the $2,800,000 construction loan of the lessee for construction of the office buildings was converted into a permanent loan of $3,500,000. The Company is a guarantor for a maximum amount of $800,000. The loan is collateralized by the land, building and improvements. The Company had also pledged a $100,000 note receivable as additional collateral on the permanent loan. The note has since been collected and is part of the advances to the lessee.

In the event the lessee does not start to pay rent in accordance with the Ground Lease Agreement of 1984, then pursuant to that lease agreement, the lessor, Green Acres, Inc., may bring an action as provided in the arbitration clause of the Ground Lease Agreement to collect any rents that may be past due.

ST. LUCIE COUNTY, FLORIDA

In October 1987 the Company entered into an agreement with three other parties to organize a corporation ("Ventura") for the purpose of acquiring, developing property and constructing approximately 600 mobile homes in St. Lucie County, Florida. The Company's investment in and advances to Ventura, as of September 30, 1991, consists of the following: 1) $25,000 original capital contribution for 25% of the outstanding stock; 2) $20,000 for the acquisition of 8-1/3% of the outstanding stock from one of the Joint Venturers; and 3) $326,000 in advances. The advances were made for purposes of acquiring the property, payment development costs, real estate taxes, debt financing, and other costs that Ventura incurred, such as surveying, engineering, and legal expenses. As of September 30, 1991, the Company owns 33-1/3% of the outstanding stock of Ventura. Ventura purchased the property at a total cost of approximately $949,000, of which $243,000 was paid at closing. The balance, approximately $706,000 was financed by a purchase money note and mortgage, which, among other stipulations, is payable over six (6) years beginning October 30, 1988, at approximately $117,600 per year plus accrued interest on the unpaid balance. In October 1988 Ventura paid the first installment of the note of approximately $192,000, which included interest. Also in October 1988 the Company loaned Ventura an additional $80,000, and two other shareholders loaned an additional $130,000. The $80,000 is included in the $326,000 advance previously described. During the year ended September 30, 1991, the Company loaned Ventura an additional $27,000, which is included in the aforementioned advance of $326,000.

On November 30, 1989, the mortgage payment due October 30, 1989, was extended for a period of six (6) months until April 30, 1990. On April 30, 1990, the mortgage payment was made together with all interest due at that time; thus, as of April 30, 1990, Ventura Club, Inc., paid for and owns without encumbrance approximately 54 acres of land consisting of Parcels 1, 2, and 3. On October 25, 1990, the $117,000 payment of principal, originally due October 30, 1990, was extended until January 31, 1991. On November 30, 1990, the Company and one of the other shareholders paid 2/3 of the interest accrued through November 30, 1990, as part of the extension agreement. The third shareholder received a separate extension until January 25, 1991, for his portion. There has been no payment of principal since April 30, 1990. In September 1991 the mortgage holder notified the Joint Venturers of their intention to foreclose the balance of the note and record a Quit Claim Deed on the encumbered portion of the property. In November 1991 the mortgage holder advised that if the real estate taxes on the property were paid by January 1, 1992, the recording of the Quit Claim Deed would be extended until April 30, 1992. The real estate taxes were subsequently paid and the recordation of the Quit Claim Deed has been extended until April 30, 1992, at which time the mortgage holder will record the Quit Claim Deed for the remaining encumbered property, unless the mortgage holder and the mortgagor negotiate a new agreement.

MIRAMAR, FLORIDA

In August 1988 the Company, through its subsidiary Green Acres Inc., together with a 50% Joint Venturer, Lake Worth Road Corporation, purchased approximately 53 acres of land for the purpose of developing 418 townhomes and 18 single family detached homes as a Planned Unit Development (PUD) in Miramar, Florida. The purchase price of $2,600,000 was financed by a first mortgage bank loan of $2,000,000 and a privately placed second mortgage loan of $500,000. The Company has reflected 50% of the purchase price, acquisition and closing costs, credits and capitalized interest as Land Under Development on the balance sheet, and 50% of the financing as Mortgages and Notes Payable (Refer to Notes "D" and "I", Land Under Development, in the Consolidated Financial Statements). The Company is contingently liable for the Joint Venturer's portion of the bank loan.

On June 9, 1988, the Joint Venture, Green Acres Inc. and Lake Worth Road Corporation, applied to the U.S. Department of Housing and Urban Development (HUD) for a mortgage loan guarantee to cover acquisition and development of the property. On December 7, 1988, HUD gave preliminary approval to the loan guarantee by Site Appraisal and Market Analysis (SAMA) letter in the amount of $8,490,810. A closing date with HUD was set for July 6, 1989. On July 3, 1989, the Company was notified that HUD had frozen all closings and it was subsequently announced on August 11, 1989, that the Title X Program under which we requested the loan guarantee had been terminated. Subsequent to cancellation of HUD's Title X Program, an acquisition and development loan was applied for from a savings and loan institution. A tentative agreement had been reached for the financing; however, on November 30, 1989, the Company was notified that savings and loan institutions had been severely restricted from making any acquisition and development loans due to tighter regulatory controls.

The Resolution Trust Corporation is the Receiver and Successor to the lender of the first mortgage on the Miramar property. In October 1991 an action to foreclose the mortgage was served on the Joint Venturers, Green Acres Inc., a Florida corporation (a wholly-owned subsidiary of the Company) and Lake Worth Road Corporation, a Florida corporation, due to default under the loan documents. The Company has filed an Affirmative Defense. In March 1992 the Company was notified that the Resolution Trust Corporation had filed a Motion for Summary Judgment and that a date in early April 1992 has been set for a hearing before the judge; at the date of this report the outcome is uncertain.

The Trust for Public Land, a nonprofit organization, has submitted to the Joint Venturers an Option Agreement for the purchase of all or part of the property. The completion of this transaction will depend upon the rezoning of the property, which the City of Miramar has indicated their willingness to do, and RTC either staying or withdrawing their foreclosure proceedings.

Although it is the Company's opinion that this transaction is viable, there are no assurances that it will be completed.

Item 1. BUSINESS (Continued)

CORPORATE JOINT VENTURES (Refer to Note "E" in the Consolidated Financial Statements-Item 8)

On November 24, 1989, Green Acres Inc. entered into a Purchase and Sale Agreement with Lake Worth Road Corporation, wherein Green Acres Inc. purchased from Lake Worth Road Corporation 20-5/6 shares of Ventura Club, Inc., stock for $100,000, payment for which was made by a promissory note from Green Acres Inc. to Lake Worth Road Corporation in the amount of $100,000, dated November 24, 1989. Twelve and one-half (12-1/2) shares of said stock had been pledged by Lake Worth Road Corporation to a bank in return for a $40,000 loan, prior to Green Acres Inc. entering into the aforesaid Purchase and Sale Agreement. During 1990 Lake Worth Road Corporation delivered said shares to Green Acres Inc.

Simultaneously with the purchase of the Ventura Club, Inc., stock by Green Acres Inc., Mr. J. Armarnik, President of Lake Worth Road Corporation, personally signed a Guarantee of Obligations wherein he agreed that he would purchase the said 20-5/6 shares of stock from Green Acres Inc., on or before February 28, 1990, for $100,000, thereby cancelling the aforesaid promissory note from Green Acres Inc. to Lake Worth Road Corporation. Since this transaction is a purchase/re-sell agreement with the exchange of notes of equal value between the parties, the right to offset is acknowledged by the parties and due to the fact that the Company intended to set off the notes, there was no need to record the transaction on the Company's books. The recordation of debt where a clear right of offset exists could possibly distort the financial statements by overstating both assets and liabilities. To avoid the possibility of any overstatement of assets and liabilities, there were no entries to the books or distortions to the financial statements.

The February 28, 1990, date was extended until July 19, 1990. At the time of this report, negotiations are in process to resolve the note and purchase sale agreement.

In March 1992, Mr. J. Armarnik repurchased the shares of stock of Ventura Club, Inc., which cancelled the promissory note from Green Acres Inc. to Mr. Armarnik's Company, Lake Worth Road Corporation. Therefore the transaction as explained in the first two paragraphs of this page has been completed at no loss or profit to Green Acres, Inc.

Item 2. PROPERTIES

Reference is hereby made to Business of the Company, page 2 herein, for descriptions of all significant properties of the Company except its corporate headquarters and Country Gospel Music Library of television shows. The property of the corporate headquarters comprises a three-story concrete block building of approximately 15,800 square feet and approximately 21,900 square feet of land upon which the building and adjoining paved parking lot are located. The parking lot consists of approximately 7,650 square feet accommodating approximately 30 parking places and is zoned for duplex construction. The building was constructed in 1953. The total purchase price of the land and building on July 10, 1972, was $395,000. The present book value is approximatelv $184,000. At September 30, 1991, there was a first mortgage with a balance of $300,000. Monthly payments on the mortgage are interest only with a final payment of $300,000 due in August 1993. During the year ended September 30, 1991, the Company was able to pay only one-half of the monthly interest payments from January through July. The Company owed approximately $18,460 in delinquent interest and late payment penalties. Subsequent to year end, through the date of this report, the Company made an interest payment of $1,500, and at the date of this report, $22,960 was owed.

In August 1991 the Company acquired a Library of 230 Country Gospel Music television shows in exchange for 20,000 shares of $50 par value Series A Preferred Stock. The Company recorded the Library at a conservative $4,000,000, even though a recent independent appraisal valued the Library at $6,000,000. The Company expects to syndicate these valuable television shows as soon as working capital is available. It is estimated that marketing and administrative costs will be $100,000 to $200,000, and operations should commence in 1992.

Item 3. LEGAL PROCEEDINGS

On March 22, 1982, the Escrow Agent ("Agent") on purported authority of a Swiss Bank ("Bank") claiming to represent a majority of holders of 9½% debentures, which authority and representation had been contested by the Company, brought an action against the Company and one of its subsidiaries in the Eleventh Judicial Circuit Court of Florida, Dade County, on a $548,400 note, which original face value was $599,400, due June 30, 1978, which the Company failed to pay. The suit was for the payment of principal, accrued interest since January 20, 1977, at 9½%, attorneys' fees and other costs. Additionally the Agent asked for an equitable lien on the net proceeds, as defined, on certain property sales in Palm Beach County, Florida, under terms and conditions of the note. The Company defended this action by asserting that the Agent required certain authorization before suit could be commenced and that the Bank, which was in liquidation and was represented by its liquidators, was not the proper party to authorize suit. Swiss Law was supportive of this position in the opinion of Swiss lawyers.

The cause of this action had its origin in a debenture offering in 1970 by a subsidiary of the Company, which after several exchange offers and with the final exchange effected on July 1, 1976, resulted in a majority of the then outstanding $1,998,000 - 9½% debenture holders exchanging their debentures for (a) a mortgage of $517,224 received on the sale of a mobile home park in December 1975; (b) $599,400 in 9½% notes of a subsidiary due June 30, 1979, and guaranteed by the Company, and (c) 499,500 shares of Common Stock of the Company. In January 1982 the Company settled a lawsuit in which it received $169,000 of the 9½% debentures for $140,000 cash. Minority holders of $253,000 (13%) of 9½% debentures had not accepted any exchange offer.

In July 1985 the Circuit Court of the Eleventh Judicial Circuit issued an Order dismissing the case for want of prosecution. The Order was filed on August 5, 1985, and no appeal was filed within thirty (30) days from that date. Accordingly, the Order of Dismissal has been final. In the opinion of Counsel for the Company, the Statute of Limitations for the note and suit guarantee has run, which would preclude the escrow agent from prevailing if suit were refiled.

As a result of the dismissal, the Company had recognized in 1985 an extraordinary gain in the amount of $862,575, determined as follows:

Note Payable	$ 548,400
Accrued Interest from January 1977	411,537
	959,937
Less Receivable Assumed by the Company due to Settlement with minority debenture holder	97,362
Extraordinary Gain	$ 862,575

Item 3. LEGAL PROCEEDINGS (Continued)

The Company is a co-defendant together with two subsidiaries and an escrow agent in a suit filed in the United States District Court for the Southern District of Florida by a California limited partnership. The suit was filed on July 3, 1990, and is identified as Case Number 90-1547 - CIV - Ryskamp. The suit seeks Specific Performance, Constructive and Resulting Trusts and Declaratory Relief and claims Breach of Contract arising out of a 1976 escrow agreement in settlement of unpaid debentures which were issued by a foreign subsidiary and guaranteed by the Company as discussed in the preceding notes in this same Item 3. The relief sought by the Plaintiff is pursuant to 28 U.S.C. § 2201, et seq. and requests that the court enter a judgment: 1) determining that the Plaintiff is the owner of the majority of the bonds in escrow; 2) directing that the contents of the escrow be released to the Plaintiff; 3) declaring that the Defendants have no right, title, or interest in the escrow, its contents, or any proceeds derived therefrom; 4) declaring the Company and its two subsidiaries to be in default of their obligation under the pre-escrow agreement and the escrow agreement; 5) declaring the purpose of the escrow to be at an end and terminate the escrow; 6) award Plaintiff its fees herein; and 7) award Plaintiff such other feasible equitable relief as this court deems meet and proper. The Company is vigorously defending this action and in the opinion of Legal Counsel for the Company, the Statute of Limitations has run as to all possible courses of action against the Company.

Item 6. SELECTED FINANCIAL DATA (Continued)

SELECTED INCOME STATEMENT DATA:

	QUARTERS ENDED			
	12/31/90	3/31/91	6/30/91	9/30/91
Retail Real Estate Sales, Net	$ 50,400	$ 22,319	$ 23,934	$ 25,934
Other Real Estate Revenue	19,580	17,175	16,150	19,325
Total Real Estate Revenue	69,980	39,494	40,084	45,259
Other Income	5,255	5,886	4,269	23,095
Total Revenue	75,235	45,380	44,353	68,354
Provision for Loss on Property Leased to Others	-0-	-0-	-0-	(250,000)
Costs and Expenses	(182,753)	(158,751)	(159,055)	(125,938)
Net Loss	(107,518)	(113,371)	(114,702)	(307,584)
Net Loss Per Share	$(.03)	$(.05)	$(.04)	$(.09)

SELECTED BALANCE SHEET DATA:

	12/31/90	3/31/91	6/30/91	9/30/91
Total Assets	$ 3,930,199	$ 3,933,957	$ 3,929,462	$ 7,687,044
Total Liabilities	2,981,101	3,098,121	3,208,337	3,273,500
Stockholders' Equity	949,098	835,836	721,125	4,413,544

SEE ACCOMPANYING NOTES TO SELECTED FINANCIAL DATA - PAGE 17 HEREWITH

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

1991

Retail real estate sales were 72% and 15% less than 1990 and 1989 levels. The decrease in sales from 1990 to 1991 is due to the lack of a large bulk sale in 1991 and the decrease in land inventory held for sale. Due to the low level of lots in inventory, the 1992 retail real estate sales are forecast to be considerably less than 1991.

Interest income changed as a direct result of the change in the base over which the interest is applied. The 30% reduction in interest on land sales contracts is comparable to the 37% *reduction in the balance of receivables outstanding.* The 9% increase in interest on Officer's Loan is equivalent to the 10% increase in the balance of the Officer's Loan account.

The slight increase in rental income from 1990 to 1991 is due to a lower vacancy rate in the rental space of the Corporate Office Building.

The majority of Other revenue was generated from billing affiliated companies/co-venturers for costs incurred on their behalf. The difference from 1990 to 1991 is largely due to the one-time write-off in 1990 of a deposit payable which did not require repayment.

Cost of retail real estate sales is greatly reduced from prior years' level as a direct result of the reduction in retail real estate sales.

Selling, general and administrative expenses were reduced 26% from last year's level primarily due to the discontinuance of the bonus program ($50,000), the Officers' forgiveness of past year's bonus payable ($50,000), and the reduction of salaries by 20%. The cost reductions are not expected to be able to be attained again, since general and administrative expenses are at a minimum level for operations.

Interest expense net of capitalized interest increased in 1991 primarily as a result of compounding interest on prior amounts owed, rather than as a result of new loans.

The current inflation impact had no effect on the Company's net sales and revenues and on operating income.

Inventory at September 30, 1991, is lower than at any time during the past five years. The reduced amount of land held for sale together with the depressed Florida real estate market indicates that fiscal year ending September 30, 1992, will have a significantly lower level of net real estate sales, and a corresponding decrease in net income from such sales, which will in effect cause higher operating losses. As a result of the lack of retail land sales market, and the low level of inventory of lots for sale, the Company is moving from reliance on retail land sales to the country gospel music and television industry as discussed in Item 1. of this report. Real estate activity will continue, but not in the area of retail land sales.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations during the year ended September 30, 1991, was $191,531, which is 22% less than cash flow from operations in the preceding fiscal year. Although net losses were substantially more than the previous year, a large part ($250,000) was due to the provision for loss on property leased to others. The largest source of cash flow from operations was the result of increased accounts payable and accrued liabilities. Many of the accounts payable due to vendors and suppliers at year end were past due and subsequent to year end have been paid in part or full, which will cause a negative cash flow for the fiscal year ended September 30, 1992. The cash flow from inventory was significantly less than 1990. In 1990 there was a bulk sale of property in Texas for $300,000. There was no similar reduction in inventory of land in 1991.

The cash flow from investing activities in 1991 was a negative $254,600, compared to a negative $216,482 for 1990. The largest component of the negative cash flow from investing activities consists of the increase in land under development. The increase in this account was largely due to the capitalization of interest on the mortgages which are secured by the land. The cash used by investing activities relative to the investment in and advances to corporate joint venture was significantly less than the prior two years. This reduction was a result of the nonpayment of the principal and interest due on the purchase money mortgage by the joint venture company. Since the payment was not made in 1991, there was no requirement for an advance as there was in past years.

The cash flow from financing activities in 1991 was a negative $897, compared to a positive $15,555 in 1990 and a positive $75,412 in 1989. The negative in 1991 was due to a partial repayment of notes payable of $1,000. During the prior two years, cash proceeds were provided by the arrangement of notes payable. In 1991, there were no new notes payable issued; consequently there was no cash generated from notes payable.

In June 1984 the Company entered into a ground lease, which includes a profit-sharing agreement. The lessee is leasing the property for a 75-year period and has constructed two office buildings on the property. As additional rent, the lessee will pay the Company 50% of all cash flow from the two office buildings, including 50% of the net proceeds from the sale of the buildings. The Company is also required to advance 50% of any negative cash flow or pay interest on funds advanced by the lessee in lieu of the Company making advances towards negative cash flow.

In April 1988 the $2,800,000 construction loan of the lessee for construction of the office buildings was converted into a permanent loan of $3,500,000. The Company is a guarantor for a maximum amount of $800,000. The loan is collateralized by the land, buildings and improvements.

As of September 30, 1991, the Company has advanced approximately $443,000 to the lessee as follows: $190,000 towards negative cash flow (funded in prior years) and $253,000 advanced prior to 1990 primarily related to the permanent financing discussed above. These advances are to be repaid from future cash flow, including net proceeds from refinancing or sale. As of September 30, 1991, the buildings are 94% leased and are generating positive cash flow. In 1990, $22,000 of advances were repaid and during fiscal year ended September 30, 1992, it is expected that either advances will be partially repaid or rent will be received. (Please refer to pages 6 and 7 of this report, 5700 Professional Park.)

of this report, 5700 Professional Park.)

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

LIQUIDITY AND CAPITAL RESOURCES (Continued)

In October 1987 the Company entered into an agreement with three other parties to organize a corporation ("Ventura") for the purpose of acquiring and developing property for approximately 600 mobile homes in St. Lucie County, Florida. The Company owns 33-1/3% of the outstanding shares of Ventura and has disbursed, as of September 30, 1991, $371,000 to Ventura; $45,000 as capital and $326,000 as a loan. Ventura has purchased the property at a total cost of approximately $949,000, of which $243,000 was paid at closing. The balance, approximately $706,000, was financed by a purchase money note and mortgage which, among other stipulations, is payable over six (6) years beginning October 30, 1988, at approximately $117,600 per year plus accrued interest on the unpaid balance. In October 1988 the first payment was made. In October 1989 the second payment was extended until April 30, 1990, and was paid at that time. In 1990 two-thirds of the interest payment was paid by the Company and one of the partners. The non-paying partner issued a promissory note for his share. The 1990 principal and 1991 principal and interest payments are in default. The mortgage holder offered an extension until April 1992 provided the real estate taxes are paid. It is Ventura's intention to pay the real estate taxes, and these taxes have subsequently been paid.

Ventura is in the process of attempting to obtain financing to develop the project. It is estimated the amount of financing required to develop the property is approximately $5,400,000 of which approximately $500,000 will be used to pay off the existing mortgage and accrued interest.

The Company's investment in and advances to Ventura as of September 30, 1991, consists of the following: A) $25,000 - original capital contribution for 25% of the outstanding stock; B) $20,000 - subsequent acquisition of 8-1/3 additional shares of Ventura stock from the 4th original shareholder. The 4th original shareholder's investment was purchased by the 3 present shareholders, which increased each of their holdings from 25 to 33-1/3 shares; C) $326,000 in advances - these advances were made for the purposes of acquiring the property, paying development costs, real estate taxes, debt financing, and other costs that Ventura incurred such as surveying, engineering, and legal expenses.

The Company is also exploring the possibility of selling its interest in Ventura, although the Company is not presently negotiating with anyone regarding disposition of its interest in Ventura.

The recoverability of the Company's investment in and advances to Ventura is dependent upon the ability to successfully develop the project or sell all or part of the Company's interest in Ventura. The Company has engaged a project financing specialist and is in the process of applying for a loan guarantee from the U.S. Department of Housing and Urban Development, which would provide the ability to finance the project in phases. At the present time Ventura has 53+ acres which are not securing the purchase money mortgage, and are free and clear of all debt. It is the Company's opinion that the interest in Ventura is recoverable, although the inability to secure financing could negatively impact the Ventura investment.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

In August 1988 the Company, through its subsidiary Green Acres Inc., together with a 50% Joint Venturer, Lake Worth Road Corporation, purchased approximately 53 acres of land for the purpose of developing 436 housing units in Miramar, Florida. The purchase price of $2,600,000 was financed by a first mortgage bank loan of $2,000,000 and a privately placed second mortgage loan of $500,000. The Company has reflected 50% of the purchase price, acquisition and closing costs, credits and capitalized interest as Land Under Development on the balance sheet, and 50% of the financing as Mortgages and Notes Payable (Refer to Notes D and I in the Financial Statements). The Company is contingently liable for the Joint Venturer's portion of the bank loan.

On June 9, 1988, the Joint Venture, Green Acres Inc. and Lake Worth Road Corporation, applied to the U.S. Department of Housing and Urban Development (H.U.D.) for a mortgage loan guarantee to cover acquisition and development of the property. On December 7, 1988, H.U.D. gave preliminary approval to the loan guarantee by Site Appraisal and Market Analysis (SAMA) letter in the amount of $8,490,810. A closing date with H.U.D. was set for July 6, 1989. On July 3, 1989, the Company was notified that H.U.D. had frozen all closings, and it was subsequently announced on August 11, 1989, that the Title X Program under which we requested the loan guarantee had been terminated.

Subsequent to the Title X Program being cancelled, the Joint Venture applied for an acquisition and development loan from a savings and loan institution. A tentative agreement had been reached for the financing; however, on November 30, 1989, the Joint Venture was notified that savings and loan institutions had been severely restricted from making any acquisition and development loans due to tighter regulatory controls.

During 1990 and 1991, the Company, along with its Joint Venturer, attempted to secure the necessary financing to develop the project. It is estimated the amount of financing required to develop Phase A of the Miramar project, which consists of 182 townhome units, is approximately $12,170,000, of which $4,210,000 is for site development and $7,960,000 is for construction costs. The total projected sales of Phase A is $15,260,000. This figure is based upon Phase A units totaling 182 units, 112 of which are 2-bedroom homes and are forecast to sell for $80,000 each. The remaining 70 units are 3-bedroom homes and are expected to sell for $90,000 each. The sellout value of the 2-bedroom homes is $8,960,000 and the corresponding amount for the 3-bedroom homes is $6,300,000. These figures are estimates based upon the available information and are considered to be reasonable. There is obviously no way to determine what actual sellout value would be until the units are actually sold.

The Resolution Trust Corporation is the Receiver and Successor to the lender of the first mortgage on the Miramar property. In October 1991 an action to foreclose the mortgage was served on the Joint Venturers, Green Acres Inc., a Florida corporation (a wholly-owned subsidiary of the Company) and Lake Worth Road Corporation, a Florida corporation, due to default under the loan documents. The Company has filed an Affirmative Defense.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

In March 1992 the Company was notified that the Resolution Trust Corporation (RTC) had filed a Request for Summary Judgment and that a hearing has been scheduled for April 2, 1992. Thereafter, upon request from the RTC, the Court will order a sale of the property after advertising the property, which normally takes place within 20 to 30 days after the request. Then the Company will have ten additional days within which to redeem the property.

The Trust for Public Land, a nonprofit organization, has submitted to the Joint Venturers an Option Agreement for the purchase of all or part of the property. The completion will depend upon the rezoning of the property, which rezoning has been approved by the City of Miramar, and RTC either staying or withdrawing their foreclosure proceedings, or allowing sufficient time before requesting that the Courts dispose of the property, should the RTC be successful in their request for a Summary Judgment.

In early March 1992, the Trust for Public Land notified the Company that the Cabinet of the State of Florida has adopted a preliminary plan approval. The adoption of such authorizes the Florida Division of State Lands to begin negotiations in an effort to try to put together a proposed contract for the Cabinet to approve. The approval by the Cabinet is rescheduled to be sought in late March or early April, 1992.

The adoption by the Cabinet does not authorize the acquisition of the land, but it is part of the acquisition process.

Although it is the Company's opinion that this transaction is viable, there are no assurances that it will be completed.

In December 1991 the Company sold all of the U.S. land sales receivables for $214,000. At the time of sale, the net balance of the receivables was $233,000. Of the $198,000 net proceeds after closing costs, the Company made a partial payment to the President and to the Chairman of the Board of $50,000 each against promissory notes which were secured by the land sales receivables. After the $100,000 payment, the principal balance of loans payable to Officers/Directors/Shareholders is $1,784.75 and $6,489.23, respectively. The balance of the proceeds will be used for working capital requirements. The remaining net proceeds from the sale of the land sales receivables is $98,750, and it is expected, together with cash receipts from rental income and the remaining land sales receivables, to be sufficient to provide cash for a minimum level of operations through the first half of the present fiscal year.

The Company leases office space, representing a portion of the corporate executive building owned by the Company, to various third parties. Rental income generated from these leases totaled approximately $34,000 in 1991; $31,000 in 1990; and $23,000 in 1989.

The Company plans to fund debt maturities, as disclosed in Note I to the financial statements, as follows:

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

LIQUIDITY AND CAPITAL RESOURCES (Continued)

Fifty percent (50%) portion of mortgages, collateralized by land under development ($1,000,000 and $250,000) - The principal balances of the mortgages were due on February 12, 1990. In October 1991 an action to foreclose the mortgage was served on the Joint Venturers, Green Acres Inc., a Florida corporation (a wholly-owned subsidiary of the Company) and Lake Worth Road Corporation, a Florida corporation, due to default under the loan documents. The Company has filed an Affirmative Defense and at the date of this report the outcome is uncertain. (Please refer to Pages 11 and 12 of this report.)

The Trust for Public Land, a nonprofit organization, has submitted to the Joint Venturers an Option Agreement for the purchase of all or part of the property. The completion of this transaction will depend upon the rezoning of the property, which which rezoning has been approved by the City of Miramar, and RTC either staying or withdrawing their foreclosure proceedings. (Please refer to Pages 8 and 18 of this report.)

Although it is the Company's opinion that this transaction is viable, there are no assurances that it will be completed.

The second mortgage holder has not served notice of default and appears willing to extend based upon a successful resolution with the first mortgage holder.

. Mortgage collateralized by the corporate executive building ($300,000) - The principal balance is due in August 1993. Corporate management intends to extend the terms, and begin a long-term amortization of the principal balance at that time.

. Demand notes in the amount of approximately $108,274, payable to Officers/Directors/Stockholders and their spouses, collateralized by land contracts receivable. Subsequent to year end, the sale of the U.S. land sales receivables provided funds to allow a partial payment of $100,000 against the notes. The balance of $8,274 will be repaid as excess cash becomes available. However, the Officers/Directors/Stockholders reserve their right to collect the amounts due as set forth by the notes and the loan agreements.

. Other ($37,000) - This note will be paid from the normal operating funds of the Company.

. As previously identified, future cash flow from operations, together with existing cash on hand, does not provide cash sufficient to operate throughout the fiscal year ending September 30, 1992. Consequently, the Company is dependent upon the success of arranging financing, not only to progress and develop the current real estate and television shows project, but to remain in operation.

As reflected in the consolidated statements of operations, the Company incurred net losses in 1991, 1990, and 1989 of $(643,175), $(381,113), and $(531,171), respectively. As reflected in Note I to the financial statements, the first mortgge on the land under development is in foreclosure. The Company's portion of the mortgages, which represents 50% of the total, is $1,250,000. Management's plans regarding these matters are as follows:

1. Land under development (Note D) - Extend, or restructure, along with the joint venturer, the existing debt; joint venture with a third party to develop the property; secure the necessary financing to develop the land; continue negotiations with the identified buyer for all or part of the land.

2. Investment in corporate joint venture (Note E) - Arrange for the necessary financing to develop the property and explore the possibility of selling the Company's interest.

3. Property leased to other (Note F) - Hold the property and collect rent from the positive cash flow which the buildings are presently generating or sell the property. Per the ground lease agreement, the Company will share 50% of the net proceeds from the sale of the property. Management believes the Company's share of the net proceeds from the sale of the property will exceed the cost of the property plus amounts advanced to the lessee.

4. Management is attempting to raise funds through a private placement of five-year convertible debentures for $7,000,000. If this transaction succeeds, the President and the Chairman of the Board have agreed to forgive $500,000 of the deferred compensation due to them pursuant to their Employment Agreements.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

In addition to the aforementioned plans regarding debt structure, financing, and the absence of necessary liquidity, the Company is attempting to generate income from the non-exclusive renting of the television shows for broadcast. This activity would be beneficial in that it does not require significant costs to generate the income. It is expected that an agreement could be reached which will generate over $1,000,000 in commercial television time which would be available to the Company. Since no transaction has been concluded, it is not possible to presently quantify how much cash would be made available from the commercial time. The amount of discount required to convert commercial time to cash is dependent upon several factors, such as the size of the block of time available, the population in the area of the broadcast, the power of the station, and the time available.

In addition to renting the television shows on a non-exclusive basis, the Company is attempting to use the inventory of television shows as collateral to arrange financing to further develop the television show operations.

An additional source of funding could be provided by negotiating an acquisition with another company which presently has operating cash flow. There have been no contracts of acquisition which would raise cash consummated as of the date of this report, nor is there any assurance that there will ever be an agreement which will provide the necessary cash to continue operations.

Item 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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CERTIFIED PUBLIC ACCOUNTANT
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MIAMI, FLORIDA 33173

(305) 270-0880

Independent Auditor's Report

To the Board of Directors and Stockholders
Canaveral International Corp.
Miami, Florida

Our report dated December 23, 1991, covering the financial statements of Canaveral International Corp. and subsidiaries, filed as part of the annual report on Form 10-K for the year ended September 30, 1991 is hereby revised and extended to relate to such financial statements as hereby amended on Form 8, Amendment No. 1.

Vaughn M. Sarkissian, P.A.

March 23, 1992

CONSOLIDATED FINANCIAL STATEMENTS

CANAVERAL INTERNATIONAL CORP.

SEPTEMBER 30, 1991, 1990 AND 1989

VAUGHN M. SARKISSIAN, P.A.
CERTIFIED PUBLIC ACCOUNTANT

CANAVERAL INTERNATIONAL CORP. AND SUBSIDIARIES

SEPTEMBER 30, 1991, 1990 and 1989

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Independent Auditor's Report

To the Board of Directors and Stockholders
Canaveral International Corp.
Miami, Florida

We have audited the accompanying consolidated balance sheets of Canaveral International Corp. and subsidiaries as of September 30, 1991 and 1990, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended September 30, 1991. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Canaveral International Corp. and subsidiaries as of September 30, 1991 and 1990, and the results of operations and cash flows for each of the three years in the period ended September 30, 1991 in conformity with generally accepted accounting principles.

To the Board of Directors and Stockholders
Canaveral International Corp.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As reflected in the consolidated statements of operations, the Company incurred net losses of $643,175, $381,113 and $531,171 for the years ended September 30, 1991, 1990, and 1989, respectively. As more fully described in Notes I and L to the financial statements, the Company is in default on its mortgages payable, and the first mortgage holder on the land under development has commenced foreclosure proceedings. In addition, as more fully described in Note C, the Company must obtain sufficient working capital to commence syndication of the inventory of television shows. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are described in Note P. The Company's ability to continue as a going concern is dependent on its ability to develop working capital, meet creditors' and lenders' demands for payment, refinance or restructure existing debt, commence syndication of the inventory of television shows and attain future profitable operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Vaughn M. Sarkissian, P.A.

December 23, 1991

CANAVERAL INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 1991 AND 1990

	1991	1990
ASSETS		
LAND CONTRACTS RECEIVABLE	$ 282,645	$ 447,625
Allowance for estimated loss on cancellation	(18,372)	(27,658)
Unamortized contract valuation discount	(910)	(3,934)
	263,363	416,033
INVENTORY OF TELEVISION SHOWS	4,000,000	-
LAND UNDER DEVELOPMENT	1,800,069	1,594,887
INVESTMENT IN AND ADVANCES TO CORPORATE JOINT VENTURE	371,032	343,719
CASH	13,271	77,237
ADVANCES AND OTHER RECEIVABLES	471,261	462,191
PROPERTY LEASED TO OTHERS	344,908	594,908
LAND INVENTORY	11,628	22,067
DUE FROM OFFICER	210,811	190,898
PROPERTY AND EQUIPMENT	186,932	209,003
OTHER ASSETS	13,769	18,001
Total assets	$7,687,044	$3,928,944
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Mortgages and notes payable	$1,587,000	$1,588,000
Due to officers	1,219,364	1,055,448
Accounts payable and accrued liabilities	467,136	228,880
Total liabilities	3,273,500	2,872,328
CONTINGENCIES AND OTHER MATTERS (See notes for details)	-	-
STOCKHOLDERS' EQUITY:		
Preferred stock; 100,000 shares of $50 par value authorized; 20,000 shares issued in 1991	1,000,000	-
Common stock; 6,000,000 shares of $.50 par value authorized; 3,395,786 shares issued	1,697,893	1,697,893
Capital in excess of par	9,656,821	6,656,821
Accumulated deficit	(7,263,158)	(6,619,983)
Common stock in treasury; 263,581 shares for 1991 and 263,863 shares for 1990, at cost	(678,012)	(678,115)
Total stockholders' equity	4,413,544	1,056,616
Total liabilities and stockholders' equity	$7,687,044	$3,928,944

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CANAVERAL INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED SEPTEMBER 30, 1991, 1990 AND 1989

	1991	1990	1989
INCOME:			
Retail real estate sales	$ 122,586	$ 442,000	$ 144,319
Interest:			
Land sales contracts	38,676	55,287	71,402
Officer's loans	20,655	18,329	17,955
Other	188	828	23,024
Rental	33,555	31,401	47,866
Other	17,662	36,718	2,006
	233,322	584,563	306,572
COSTS AND EXPENSES:			
Cost of retail real estate sales	19,373	191,942	26,381
Selling, general and administrative expenses	482,902	654,891	713,594
Provision for loss on property leased to others	250,000	-	-
Interest expense, net of capitalized interest of $161,521 for 1991, $163,516 for 1990 and $152,582 for 1989	124,222	118,843	97,768
	876,497	965,676	837,743
NET LOSS	$(643,175)	$(381,113)	$(531,171)
NET LOSS PER COMMON SHARE	$(.21)	$(.12)	$(.17)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CANAVERAL INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED SEPTEMBER 30, 1991, 1990 AND 1989

	PREFERRED STOCK	COMMON STOCK	CAPITAL IN EXCESS OF PAR	ACCUMULATED DEFICIT	TREASURY STOCK		TOTAL
					SHARES	AMOUNT	
BALANCE SEPTEMBER 30, 1988	$ -	$1,697,893	$6,656,821	$(5,707,699)	263,849	$(678,108)	$1,968,907
1989:							
Acquisition of treasury stock, at cost	-	-	-	-	12	(6)	(6)
Net loss	-	-	-	(531,171)	-	-	(531,171)
BALANCE, SEPTEMBER 30, 1989	-	1,697,893	6,656,821	(6,238,870)	263,861	(678,114)	1,437,730
1990:							
Acquisition of treasury stock, at cost	-	-	-	-	2	(1)	(1)
Net loss	-	-	-	(381,113)	-	-	(381,113)
BALANCE, SEPTEMBER 30, 1990	-	1,697,893	6,656,821	(6,619,983)	263,863	(678,115)	1,056,616
1991:							
Issuance of preferred stock	1,000,000	-	3,000,000	-	-	-	4,000,000
Issuance of treasury stock, net	-	-	-	-	(282)	103	103
Net loss	-	-	-	(643,175)	-	-	(643,175)
BALANCE, SEPTEMBER 30, 1991	$1,000,000	$1,697,893	$9,656,821	$(7,263,158)	263,581	$(678,012)	$4,413,544

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CANAVERAL INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 1991, 1990 AND 1989

	1991	1990	1989
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(643,175)	$(381,113)	$(531,171)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:			
Depreciation	15,193	23,406	25,937
Provision for loss on property leased to others	250,000	-	-
Changes in assets and liabilities:			
Land contract receivable, net	152,670	142,964	191,305
Land inventory	10,439	184,567	18,298
Other assets	4,232	13,418	27,933
Accounts payable, accrued liabilities, and due to officers	402,172	261,660	173,143
Deferred revenue	-	-	(26,143)
Net cash provided (used) by operating activities	191,531	244,902	(120,698)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Increase in land under development	(205,182)	(135,622)	(157,870)
Investment in and advances to corporate joint venture	(16,505)	(91,596)	(101,338)
Decrease (increase) in advances and other receivables	(19,878)	29,065	37,778
Increase in due from officer	(19,913)	(18,329)	12,921
Proceeds from sale of (expenditures for) property and equipment	6,878	-	(960)
Net cash used by investing activities	(254,600)	(216,482)	(209,469)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of notes payable	(1,000)	(84,444)	(99,581)
Proceeds from notes payable	-	100,000	174,999
Sale of (payment for) treasury stock	103	(1)	(6)
Net cash provided (used) by financing activities	(897)	15,555	75,412
NET INCREASE (DECREASE) IN CASH	(63,966)	43,975	(254,755)
CASH, BEGINNING OF YEAR	77,237	33,262	288,017
CASH, END OF YEAR	$ 13,271	$ 77,237	$ 33,262
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for interest, net of amount capitalized	$ 24,638	$ 56,594	$ 51,727

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:
In 1991, the Company acquired a library of television shows, valued at $4,000,000, in exchange for 20,000 shares of $50 par value preferred stock.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CANAVERAL INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1991, 1990 AND 1989

A. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

The Company, through its wholly-owned subsidiaries and joint ventures (See Notes D, E and F) engages in real estate development and sales. The Company also sells improved and unimproved land, on a retail basis, in Florida. Sales of lots are typically made to individuals on an installment contract basis. In 1991, the Company entered the Country Gospel Music Television Industry by acquiring a library of 230 Country Gospel Music Television Shows (See Note C).

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

All references herein to "The Company" include Canaveral International Corp. and subsidiaries.

Recognition of Retail Real Estate Sales

The Company uses the accrual method of accounting for developments which (a) are planned for residential or recreational use, and in which development work has progressed beyond preliminary stages, and (b) have adequate collection experience to indicate that more than 90% of land sales contracts in a force six months after recording will be collected in full.

Under the accrual method, retail land sales contracts are recorded as sales at the time customers' total payments (principal and interest) amount to at least 10% of the contract price and any refund period has expired.

Recorded contracts which cancel within the same reporting period and contracts estimated to cancel in subsequent periods are included in gross real estate sales and reported separately in the statement of operations as actual and estimated uncollectible sales. Estimated forfeitures from cancellations are treated as a reduction of actual and estimated uncollectible sales. At the time of cancellation of a recorded land sale contract, the unpaid balance is charged to the allowance for estimated loss on cancellation of contracts.

The Company considers a contract delinquent, and fully provides for cancellation against such contract, when regular payments are unpaid for the following delinquency periods: (1) 90 days and the percent of the contract price paid is less than 25%, (2) 120 days and the percent of contract price paid is less than 50%, or (3) 150 days and the percent of contract price paid is 50% and over. At the Company's option, where extenuating circumstances exist, such scheduled delinquency periods may be extended.

Interest income at the stated rate on land contracts is recorded on a monthly basis. The recorded sale is reduced by an amount (contract valuation discount) which, when added to interest on the contract at the stated rate, results in an effective annual yield on contracts receivable of approximately the current consumer lending rate (See Note B). During the three years ended September 30, 1991 stated rates have approximated current consumer lending rates; accordingly, no contact valuation discounts have been recorded.

Costs and expenses relating to recorded sales, consisting of the average cost of unimproved land (including capitalized interest and property taxes) and marketing costs, are charged against income. General and administrative expenses are charged to operations as incurred.

Inventory of Television Shows

The inventory of television shows (Shows) has been recorded at its fair market value at the date of acquisition, less estimated marketing costs and a profit allowance for the selling effort of the Company (See Note C). As of September 30, 1991, the Company has not commenced the syndication of the Shows. Upon the start-up of the television operations, the Company will match the cost of the Shows against the revenues generated.

Land Under Development

Land under development consists of the Company's share of costs for the acquisition by the joint venture described in Note D, and is not considered to be in excess of net realizable value.

Investment in Corporate Joint Venture

The Company's investment in corporate joint venture is recorded using the equity method of accounting. The net losses of the joint venture have been negligible since its inception, as all significant costs, such as interest and taxes, are being capitalized. Accordingly, equity in loss of joint venture is not reflected in the statement of operations.

Property Leased to Others

Property leased to others, which consists of one contiguous parcel of land, is stated at the estimated net realizable value.

Land Inventory

Land inventory is stated at cost, which is not considered to be excess of net realizable value. Cost includes the cost of unimproved land, improvements, interest, property taxes and other direct costs incurred during the improvement period.

Property and Equipment

Property and equipment are recorded at cost and depreciated, principally using the straight-line method, over the estimated useful lives of the assets.

Deferred Revenue

In June 1984, the Company received $400,000 in prepaid rent that was recognized, for financial reporting purposes, over a five-year period (See Note F). The Company recognized rental income on the ground lease of $25,000 for the year ended September 30, 1989.

Income Taxes

Recognition is normally given in consolidated financial statements to the income tax effect of timing differences related to reporting transactions for financial and tax purposes. Such timing differences also result from reporting income from real estate sales on the installment method for tax purposes in prior years, whereas such income is recorded on the accrual method for financial reporting purposes, and from the use of different depreciation methods.

Net Loss Per Common Share

For 1991, 1990 and 1989, loss per common share was calculated using the weighted average number of shares outstanding during the years. No consideration was given to the exercise of stock options - since the result would be anti-dilutive or less than 3%. The weighted average shares outstanding were 3,132,114 for 1991, 3,131,923 for 1990 and 3,131,935 for 1989.

B. LAND CONTRACTS RECEIVABLE

The weighted average interest rates applicable to the land contracts receivable were 9.5% for 1991 and 1990 and 9.3% for 1989, and the stated contract rates ranged from 6% to 11%.

All land contracts entered into for the years ended September 30, 1991, 1990 and 1989 have been recorded as sales since customers total payments (principal and interest) amounted to at least 10% of the contract price.

In December 1991, the Company sold substantially all of its land contracts receivable, with a net principal balance of approximately $233,000, for approximately $214,000. From the net proceeds ($198,000 after closing costs), the Company made partial payments of $50,000 on each of the two demand notes payable which had been secured by the land contracts receivable (See Note J). The remaining land contracts receivable, of approximately $5,000, are scheduled to be collected in full by September 1993.

C. INVENTORY OF TELEVISION SHOWS

In August 1991, the Company acquired a library of 230 Country Gospel Music Television Shows (Shows) in exchange for 20,000 shares of $50 par value Series A convertible preferred stock (See Note L). The Company recorded the Shows at their fair market value of $6,000,000, determined by an independent appraisal at the date of acquisition, less estimated marketing costs and a reasonable profit allowance for the selling effort of the Company. The Company plans to syndicate the Shows upon obtaining sufficient working capital, which is estimated to be between $100,000 and $200,000. The commencement of revenues from the Shows is dependent upon the Company's ability to secure the necessary financing to syndicate the Shows, and to successfully complete the marketing plan.

D. LAND UNDER DEVELOPMENT

In August 1988, the Company, together with a 50% joint venturer, purchased approximately 53 acres of land in Miramar, Florida, for the purpose of developing 436 housing units. The purchase price of $2,600,000 was financed by a bank mortgage of $2,000,000 and a second mortgage of $500,000. The Company has reflected 50% of the purchase price, acquisition and closing costs, credits, and capitalized interest on the balance sheet as land under development, and 50% of the financing as mortgages and notes payable (See Note I). The mortgages are in default, and in October, 1991, the first mortgage holder commenced foreclosure proceedings (See Notes I and L). As of September 30, 1991, land under development includes capitalized interest and taxes of $498,887 and $73,704, respectively. The Company is contingently liable for the joint venturer's portion of the bank loan.

On December 4, 1991, the Company and its joint venturer entered into an option agreement (Agreement) with The Trust for Public Land (Trust) for the sale of the land described above. The Trust is a nonprofit corporation, whose primary purpose is the acquisition and preservation of open space for the public benefit. Pursuant to the Agreement, the net sales price for parcel 1, consisting of 30 acres, shall be $1,800,000, and the net sales price for parcel 2, consisting of approximately 23 acres, shall be $1,170,000. Based on correspondence received from the Trust, the primary concern in the Agreement is parcel 1, and it is unlikely funding will be available to the Trust for the acquisition of parcel 2. The agreement expires on March 31, 1992.

The development of the land is dependent upon the sale of parcel 1 to the Trust and negotiating a settlement with the first mortgage holder (See Notes I and L), obtaining approval for rezoning from the City of Miramar and securing the necessary financing to develop the acreage in parcel 2.

E. INVESTMENT IN AND ADVANCES TO CORPORATE JOINT VENTURE

In October 1987, the Company entered into an agreement with three other parties to organize a corporation (Ventura) for the purpose of acquiring and developing property and constructing approximately 600 mobile home sites in St. Lucie County, Florida. The Company's investment in and advances to Ventura, as of September 30, 1991, consists of the following: 1) $25,000 original capital contribution for 25% of the outstanding stock; 2) $20,000 for acquisition of 8 1/3% of the outstanding stock from one of the joint venturers; and 3) $326,032 in advances. As of September 30, 1991, the Company owns 33 1/3% of the outstanding stock of Ventura.

Ventura purchased the property at a total cost of approximately $949,000, of which $243,000 was paid at closing. The balance of approximately $706,000 was financed by a purchase money note and mortgage, which, among other stipulations, is payable over six years beginning in October 1988, at approximately $117,600 per year plus accrued interest on the unpaid balance. In October, 1988, Ventura paid the first installment, of approximately $192,000, which includes interest. In November 1989, Ventura paid the accrued interest of approximately $69,000 and the due date of the second installment was extended to April 1990, at which time the principal of $117,600 and interest accrued through April 30, 1990 was paid. In 1990, two-thirds of the interest due on the third installment was paid by the Company and one of the joint venturers. The non-paying joint venturer issued a promissory note for its portion of the interest. The 1990 principal and 1991 principal and interest are presently in default. The mortgage holders have offered Ventura an extension until April 1992, provided the real estate taxes are paid. Ventura intends to pay the real estate taxes.

As of the date of this report, the management of Ventura is attempting to secure financing to develop the project and the Company is considering the sale of its interest in Ventura.

F. PROPERTY LEASED TO OTHERS AND ADVANCES

In June 1984, the Company entered into a ground lease, which includes a profit-sharing agreement. The lessee is leasing the property for a 75-year period and has constructed two offices buildings on the property. As consideration for the lease, the lessee will pay the Company 50% of the yearly cash flow from the two office buildings, including 50% of the net proceeds from the sale of the buildings. At its option, the Company may reimburse the lessee 50% of any negative cash flow. Should the lessee be required to advance money to the project in accordance with the ground lease in excess of the Company's contribution, then the lessee will be entitled to receive interest on such funds from the cash flow of the buildings.

In April 1986, the lessee's $2,800,000 construction loan was converted to a permanent loan of $3,500,000. The Company is a guarantor for a maximum amount of $800,000. The loan is collateralized by the land, buildings and improvements.

As of September 30, 1991, the Company has advanced approximately $443,000 to the lessee as follows: $190,000 towards negative cash flow (funded in prior years) and $253,000 net advances primarily related to the permanent financing discussed above. These advances, which are included in advances and other receivables, are to be repaid from future cash flow, including net proceeds from refinancing or sale. As of September 30, 1991, the buildings are 94% leased and are generating positive cash flow.

A provision for an estimated loss, in the amount of $250,000, has been recorded relating to the excess of the cost of the property leased to other plus the advances to the lessee (total of $1,037,938) over the estimated proceeds from the lessee, including 50% of the net proceeds from the sale of the buildings.

G. TRANSACTIONS WITH RELATED PARTIES

Officers, Directors and Stockholders

Due from officer as of September 30, 1991 and 1990, includes loans and advances to an Officer/Director/Stockholder totaling $83,304 and interest of $127,507 and $107,594, respectively, at the prime rate. These advances had been made to the Officer/Director/Stockholder because his ability to borrow had been restricted to the extent that he had initially pledged shares of his common stock as collateral for loans made for the benefit of the Company. The Officer/Director/Stockholder has agreed that the loans and advances due will be offset to the extent of any amounts due under an employment agreement (See below).

The Company has entered into employment agreements with two Officers/Directors/Stockholders whereby each Officer/Director/Stockholder receives an annual salary of $91,500, of which $24,000 will be deferred until after retirement (See Notes J and P.). The agreement, as amended, will be in effect until each Officer/Director/Stockholder reaches the age 82, which, as of September 30, 1991, is in six and eight years, respectively. In addition, the Company approved bonuses of $25,000 to each of the two Officers/Directors/Stockholders in each of the two years ended September 30, 1990. In the event of change in control of the Company, the deferred compensation, unpaid bonuses and interest will be payable. Interest expense related to amounts accrued to the two Officers/ Directors/ Stockholders for deferred compensation and bonuses and the notes payable (See Note J) totaled $83,357 for 1991, $75,778 for 1990 and $54,197 for 1989.

In December 1985, the two previously mentioned Officers/ Directors/Stockholders and their spouses entered into agreements with the Company whereby the Company was named the sole beneficiary of the life insurance proceeds in the amount of $500,000 per Officer/Director/Stockholder. The Company agreed to purchase, with these proceeds, stock of the Company owned by the insured (approximately 400,000 shares each) with their respective spouses, upon their death. In November, 1990, the two Officers/Directors/Stockholders and their spouses entered into an agreement with the Company whereby the December, 1985 agreements were rescinded. The Company's portion of the life insurance premium that it paid for the two Officers/Directors/ Stockholders was approximately $23,000 for 1990 and $20,000 for 1989.

Other

In July 1975, the wife of one of the officers was appointed Real Estate Broker for the Company's real estate operations at a fee of $14,300 per year. Florida law requires that certain real estate operations be supervised by a registered Real Estate Broker.

H. PROPERTY AND EQUIPMENT

	Estimated Useful Lives (Years)	September 30, 1991	September 30, 1990
Building and improvements	5-25	$297,088	$297,088
Land	-	112,500	112,500
Automobiles	3-5	10,631	57,870
Office equipment	5	5,229	13,921
		425,448	481,379
Less accumulated depreciation		238,516	272,376
		$186,932	$209,003

I. MORTGAGES AND NOTES PAYABLE

	September 30, 1991	September 30, 1990
50% portion of mortgages on the land under development (See Note C); guaranteed by the assets of the Company; interest at 12.25% payable monthly:		
First mortgage (*)	$1,000,000	$1,000,000
Second mortgage (*)	250,000	250,000
Mortgage collateralized by the corporate executive building; interest at 2% over prime, with a minimum of 12%, payable monthly; principal due in August 1993(**)	300,000	300,000
Other	37,000	38,000
	$1,587,000	$1,588,000

(*) The mortgages were not paid on the due date in February 1990. In October 1991, the first mortgage holder commenced foreclosure proceedings against the Company and its joint venturer (See Note L). The holder of the second mortgage has not made demand upon the Company and the joint venturer for payment. Accrued interest on the mortgages of approximately $258,000 is included in accounts payable and accrued liabilities as of September 30, 1991 (See Note K).

(**) As of September 30, 1991, the Company owed $18,460 in unpaid interest ($22,960 as of the date of this report).

Maturities of mortgages and notes payable are $1,395,274 and $300,000 for the years ending September 30, 1992 and 1993, respectively.

J. DUE TO OFFICERS

The balance due to the two previously mentioned officers/directors/stockholders (See Note G) consists of the following:

	September 30, 1991	September 30, 1990
Deferred compensation (See Note P)	$ 604,400	$ 562,000
Interest	310,765	229,900
Salaries and bonuses	195,925	130,048
Demand notes payable (*)	108,274	133,500
	$1,219,364	$1,055,448

(*) Collateralized by land contracts receivable totaling approximately $180,000 (See Note B); interest at 13% and 13.2% payable monthly.

K. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable	$ 90,640	$ 58,268
Other accrued liabilities:		
Interest (See Note I)	282,845	102,605
Property taxes	88,903	60,586
Other	4,748	7,421
	$ 467,136	$ 228,880

L. CONTINGENCIES AND OTHER MATTERS

Contingencies

The Company is a co-defendant, with an unrelated escrow agent, in a suit filed in United States District Court by a California limited partnership. The plaintiff claims breach of contract arising out of a 1976 escrow agreement in settlement of debentures issued by the Company, and seeks specific performance, constructive and resulting trusts and declaratory relief. Damages sought total $599,400, plus accrued interest from 1976. The Company is vigorously defending this action. In the opinion of management, and outside counsel, the Company has meritorious defenses, including the statute of limitations and laches, and the final resolution of this action will not have a material adverse effect on the Company's financial position. In November 1991, the Company received an offer to settle from the plaintiff. The proposed settlement would require no payment by the Company.

In October 1991, the Company was served notice that the Resolution Trust Corporation, as receiver and successor to the first mortgage holder on the land under development, has brought suit in Broward County Circuit Court for foreclosure on the Miramar property (See Notes D and I). The Company has entered an affirmative defense, however, as of the date of this report it is unable to determine the outcome.

The Company is also involved in litigation incidental to its normal operations. In the opinion of management and outside counsel, the outcome of this litigation will not have a material effect, if any, on the Company's financial position

The Company is storing its inventory of television shows (Shows) in an air conditioned storage facility with alarms, locks and 24 hour security. Due to the extensive security at the storage facility, the Company is not presently maintaining insurance to replace the Shows in the event of loss.

Other Matters

The stockholders, at their annual meeting in July 1987, approved amending the Certificate of Incorporation whereby directors of the Company shall not be held liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, except for certain transactions from which he derives improper personal benefit.

The stockholders also approved amending the Company's by-laws whereby the Company will indemnify directors, officers or employees of the Company against suits or proceedings, whether civil, criminal, administrative, or investigative. The Company is under no obligation to purchase and maintain insurance on behalf of any person who is or was a director, officer or employee of the Company.

The Company has 100,000 shares of $50 par preferred stock authorized by the shareholders. During 1991, 30,000 shares of 1991 Series A 0% convertible preferred stock were created by a Board of Directors resolution, of which 20,000 shares were subsequently issued (See Note C). The newly created stock has no dividend but is entitled to share in any dividends declared payable to the common stockholders at 115% of the common stock dividend. The stock is convertible into $.50 par common stock two years after issuance at the rate of 10 shares of common for each share of preferred. In the event of liquidation, the preferred stockholders have a preference to the common stockholders not to exceed $50 per share prior to any distributions to the common stockholders. The preferred stock is redeemable only by action of the Board of Directors at the rate of $50 per share. There is no requirement to retire the preferred shares. The Series A preferred stock is non-voting; however, certain matters that could affect the preferred stockholders' rights and or preference, require the consent of the preferred stockholders. The issued preferred stock is non-voting; however, certain matters that could affect the preferred stock (20,000 shares) is subject to a voting trust agreement that addresses the consent required by preferred stockholders whenever such consent may be required.

The Company has 2,000,000 shares of $.50 par value authorized but unissued Class A common stock.

At their annual meeting, held in December 1990, the shareholders approved an increase in common shares to 25,000,000 shares, and amended the Class A stock to be equal in all respects to the common stock. The Company has not yet filed an application for the increase with the Secretary of State.

M. STOCK OPTIONS

Effective September 1982, the Company approved an Incentive Stock Option Plan, covering 500,000 shares of Common Stock, for key employees. The term of the option may not exceed ten years and the exercise price will be determined on the date of grant, but will not be less than 100% of the fair market value of the common stock of the Company on the date of the grant. Any optionee owning 10% or more of the stock of the Company at the time the option is granted, shall have an exercise price of such option not less than 110% of the fair market value of the Company stock.

In August 1986, the two previously mentioned Officers/Directors/Stockholders were granted a qualified option of 100,000 shares of common stock at $.6875 per share, which was 110% of the fair market value of $.625, pursuant to the Incentive Stock Option Plan of 1982. No options have been exercised through September 30, 1991.

In addition, in August 1986, the Board of Directors proposed a Non-employee Directors Stock Option Plan. The total number of shares of common stock available for options granted under the Plan may not exceed 100,000 subject to certain adjustment provisions. The options are non-qualified, and shall have an exercise price of not less than 100% of the fair market value of the Company's stock on the date of grant. In August 1986, five-year options for an aggregate of 37,500 shares were granted under the Plan to three non-employee directors, subject to the approval of the Plan by the stockholders. The fair market value at the date of grant was $.625 per share. The stockholders, at their annual meeting in July 1987 approved the adoption of the Non-employee Director Stock Option Plan. No options have been exercised through September 30, 1991.

N. INCOME TAXES

During 1991, 1990 and 1989, the Company experienced net operating losses for financial reporting and income tax purposes. Accordingly, no provision for income taxes have been recorded for these years.

At September 30, 1991, the Company had net operating losses, for financial reporting purposes, of approximately $3,500,000 available to be carried forward to future years. For Federal income tax purposes, net operating losses of approximately $2,400,000 were available to be carried forward to future years. These carryforwards expire from 1993 to 2006.

The Company has elected not to adopt the provisions of Statement of Financial Accounting Standards (SFAS) No. 96, Accounting for Income Taxes, in 1991. SFAS No. 96 requires a change from the deferred method to the liability method of accounting for income taxes. It is estimated that the adoption of SFAS No. 96 will not have a material effect on the Company's financial position. The revised effective date for implementing this new standard was recently extended to fiscal years beginning after December 15, 1992.

O. FOREIGN OPERATIONS

The statements of operations includes losses from a foreign subsidiary of $153,419, $51,862 and $9,040 for 1991, 1990 and 1989, respectively. Total revenues from the foreign subsidiary were approximately $10,000 for 1991, $5,000 for 1990 and $2,000 for 1989. Net assets related to the foreign subsidiary are not material.

P. OPERATING LOSSES AND REALIZATION OF ASSETS

As reflected in the accompanying consolidated statements of operations, the Company incurred net losses of $643,175, $381,113 and $531,171 for the years ended September 30, 1991, 1990 and 1989, respectively. As reflected in Note I, the mortgages payable are in default and the first mortgage holder on the land under development has commenced foreclosure proceedings. Management's plans regarding these matters are as follows:

1. Land under development (Note D) - Extend, or restructure, along with the joint venturer, the existing debt; joint venture with a third party to develop the property; secure the necessary financing to develop the land; explore the possibility of selling the land.

2. Investment in corporate joint venture (Note E) - Arrange for the necessary financing to develop the property and explore the possibility of selling the Company's interest.

3. Property leased to others (Note F) - Hold the property and collect rent from the positive cash flow which the buildings are presently generating or sell the property. Per the ground lease agreement, the Company will share 50% of the net proceeds from the sale of the property. Management believes the Company's share of the net proceeds from the sale of the property will exceed the carrying amount of the property plus amounts advanced to the lessee.

4. Management is attempting to raise funds through a private placement of five year convertible debentures in the amount of $7,000,000. If this transaction succeeds, the two previously mentioned officers have agreed to forgive $500,000 of the deferred compensation due to them pursuant to their employment agreements (See Notes G and J). There is no guarantee the placement will be successful.

Although management believes the existing debt will be extended or restructured, and additional financing will be obtained and future operations will be profitable, it is not possible to determine the outcome of these matters at this time.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following is a list of the directors and executive officers of the Company as of the date of this report:

Name	Age	Position	First Served**
Henry Dubbin*....................	76	Director, Chairman of the Board and Vice President	1960
Daniel S. Dubbin*................	74	Director and President	1960
Elba M. Gonzalez	42	Secretary	1983
Stuart G. Newman*................	69	Director	1981
Seymour Friend	72	Director	1975
Dr. Stanley Wasman	69	Director	1981

* Member of Executive Committee

** All Directors' and Officers' terms expire at the next Annual Meeting.

Henry Dubbin has been engaged, since the inception of the Company in 1960, in the management and operations of the Company.

Daniel S. Dubbin, brother of Henry Dubbin, has been engaged in the management and operations of the Company since its inception in 1960.

Elba M. Gonzalez has been employed by the Company in various positions since 1971. Mrs. Gonzalez is in charge of the Customer Service Department. During her years with the Company, she has been responsible for all land sales, Accounts Receivable collections, preparation and issuance of all documents concerning land sales, and has served as Corporate Secretary since 1982.

Seymour Friend has been a real estate investor for more than the last five years. During the past five years, Mr. Friend has served on the Board of Directors of Medicor, a holding company for pharmaceuticals and electronics firms; on the Board of Directors of Viragen, a drug manufacturing company engaged in research and development and a manufacturer of Interferon and related drugs; and as Advisor in charge of acquisitions and real estate to Techdyne Company.

Stuart G. Newman has been President of a public relations firm, Stuart Newman Associates, Miami, Florida, for more than five years. Mr. Newman is also a founder and Past President of the Better Business Bureau of Greater Miami.

Dr. Stanley Wasmah, D.V., is a real estate investor retired from private practice. During the past five years, Dr. Wasman has been a member of the Advisory Board of Capital Bank, Miami, Florida; and has served with the Emergency Animal Clinic in Miami, Florida.

An Executive Committee, composed of the Chairman of the Board, President, and Mr. Newman, Director of the Company, has been appointed by the Board of Directors with the power to exercise all powers of the Board of Directors between meetings of the Board, except the power to fill vacancies in their own membership, and to alter or amend the By-Laws.

PART IV

		Page No.
Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K		
(a) 1. FINANCIAL STATEMENTS - Included in Part II of this report:	Item 8	26
Report of Independent Certified Public Accountants.	"	26
Consolidated Statement of Operations for the three years ended September 30, 1991, 1990, and 1989.	"	26
Consolidated Balance Sheet at September 30, 1991, and 1990.	"	26
Consolidated Statement of Stockholders' Equity for the three years ended September 30, 1991, 1990, and 1989.	"	26
Consolidated Statement of Cash Flow for the three years ended September 30, 1991, 1990, and 1989.	"	26
Notes to Consolidated Financial Statements.	"	26
2. FINANCIAL STATEMENT SCHEDULES - Included in Part IV of this report:		
Report on Financial Statement Schedules of Independent Certified Public Accountants for the three years ended September 30, 1991, 1990, and 1989.		38
Schedule II - Amounts Receivable from Officers/Directors		39
Schedule VIII-Valuation and Qualifying Accounts and Reserves		40
Schedule IX - Short-Term Borrowings		41
Schedule X - Supplementary Income Statement Information		42

Other schedules are omitted because of the absence of conditions under which they are required or because the required information is given in the financial statements or notes thereto.

3. Exhibit No.

3.1 Certificate of Incorporation (dated March 13, 1960) - refer to Exhibit 3A of Registration Statement No. 2-16906.

3.2 Certificate of Amendment of Certificate of Incorporation (dated September 1, 1960) - refer to Material Amendment No. 1 of Registration Statement No. 2-16906.

3.3 Certificate of Amendment of Certificate of Incorporation (dated February 23, 1961) - refer to Material Amendment No. 4 of Registration Statement No. 2-16906.

3.4 Certificate of Amendment of Certificate of Incorporation (dated June 25, 1961) - refer to Registration Statement No. 2-36673.

3.5 Certificate of Amendment of Certificate of Incorporation (dated November 5, 1970) - refer to Amendment No. 2 of Registration Statement No. 2-36673.

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K (Continued)

Exhibit No.		Page No.
3.6	Certificate of Amendment of Certificate of Incorporation (dated March 14, 1989) - refer to 1989 Form 10-K.	
3.7	Certificate of Amendment of Certificate of Incorporation (dated April 17, 1989) - refer to 1989 Form 10-K.	
3.8	Corporate By-Laws - refer to Exhibit 3B of Registration Statement No. 2-16906.	
3.9	Amendments to By-Laws passed by the Board of Directors at meetings dated July 7, 1972, and April 19, 1973, respectively - refer to Amnendment No. 1 of Registration Statement No. 2-41994.	
3.10	Amendments to By-Laws passed at Directors meeting of June 28, 1974 - refer to Post Effective Amendment No. 1 to Registration Statement No. 2-41994.	
10.1	1982 Incentive Stock Option Plan. Refer to 1989 Form 10-K.	
10.2	1986 Non-Employee Directors Stock Option Plan. Refer to 1989 Form 10-K.	
11.	Schedule showing computations of average number of Common shares outstanding, as used in the calculations of per share earnings for each of the three years ended September 1991, 1990, and 1989.	43
13.1	1989 Annual Report to Stockholders (filed and mailed).	
22.	Subsidiaries of the Registrant.	44

(b) REPORTS ON FORM 8-K

A Form 8-K was filed on September 20, 1990, and September 21, 1990.
A Form 8-K was filed on September 10, 1991, and is incorporated herein by attached copy. 46

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K (Continued)

(a) 2. FINANCIAL STATEMENT SCHEDULES

Report on Financial Statement Schedules of
Independent Certified Public Accountants.

SCHEDULE VIII

CANAVERAL INTERNATIONAL CORP. AND SUBSIDIARIES
VALUATION AND QUALIYING ACCOUNTS AND RESERVES
YEARS ENDED SEPTEMBER 30, 1991, 1990, and 1989

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E	
		ADDITIONS			DEDUCTIONS-	
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ACTUAL AND ESTIMATED UNCOLLECTIBLE SALES	CHARGED TO GENERAL AND ADMINISTRATIVE EXPENSES	OTHER	CONTRACT CANCELLATIONS, FORECLOSURES AND OTHER	BALANCE AT END OF PERIOD
YEAR ENDED SEPTEMBER 30, 1991:						
ALLOWANCE FOR ESTIMATED LOSS ON CANCELLATIONS	$ 27,658	$ 0	$ 0	$ 0	$ 9,286	$ 18,372
UNAMORTIZED CONTRACT VALUATION DISCOUNT	3,934				3,024(a)	910
	$ 31,592	$ 0	$ 0	$ 0	$ 12,310	$ 19,282
YEAR ENDED SEPTEMBER 30, 1990:						
ALLOWANCE FOR ESTIMATED LOSS ON CANCELLATIONS	$ 42,106	$ 0	$ 0	$ 0	$ 14,448	$ 27,658
UNAMORTIZED CONTRACT VALUATION DISCOUNT	12,874	0	0	0	8,940(a)	3,934
	$ 54,980	$ 0	$ 0	$	$ 23,388	$ 31,592
YEAR ENDED SEPTEMBER 30, 1989:						
ALLOWANCE FOR ESTIMATED LOSS ON CANCELLATIONS	$ 50,100	$ 0	$ 0	$ 0	$ 7,994	$ 42,106
UNAMORTIZED CONTRACT VALUATION DISCOUNT	35,888	0	0	0	23,014(a)	12,874
	$ 85,988	$ 0	$ 0	$ 0	$ 31,008	$ 54,980

(a) CREDITED TO INTEREST INCOME. In prior years, the interest rate on the land sales receivables was discounted below the average consumer lending interest rate at the time of the sale. To provide for the discounted interest rate, reduction was made to the original contract profit, whereby over the life of the receivable, the difference betwee the contract interest rate and the market interest rate at the time of sale would be recognized as additional interest income. This treatment is in accordance with the accounting policy for recognition of retail real estate sales. Since sales in the years from 1989 to 1991 were made with interest at or above the average consumer lendin rate, there has been no need to provide for additional contract valuation discount allowances.

EXHIBIT "f 3"

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

DATE OF REPORT (Date of earliest event reported) - March 30, 1992

CANAVERAL INTERNATIONAL CORP.
(Exact name of registrant as specified in its charter)

DELAWARE	1-4486	59-0933330
(State or other jurisdiction of incorporation or organization)	Commission File Number	(I.R.S. Employer Identification Number)

7100 BISCAYNE BOULEVARD, MIAMI, FLORIDA	33138
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (305) 759-2441

ITEM 5. OTHER EVENTS

On February 13, 1992, D. S. Dubbin and Gladys Dubbin, his wife (The D. Dubbins), entered into an Agreement with an investor, Barry Pomerantz of New York City, wherein Mr. Pomerantz agreed to purchase from them 300,000 shares of Canaveral International Corp. (CIC), the Registrant, Common Stock at $.15 per share. In addition, the Dubbins agreed to assign to Mr. Pomerantz part of the receivables due to them from CIC in the amount of $105,000, which Mr. Pomerantz agreed to purchase. The total sale transaction amounted to $150,000. The stock was sold as an investment and not with the intent of distribution. Final payment on the transaction was made to the D. Dubbins on March 27, 1992.

On February 13, 1992, Henry Dubbin and Dorothy Dubbin, his wife (The H. Dubbins) entered into an Agreement with an investor, William Craig of Fort Lauderdale, Florida, wherein Mr. Craig agreed to purchase from them 300,000 shares of CIC Common Stock at $.50 per share. The total transaction amounted to $150,000.00. The stock was sold as an investment and not with the intent of distribution. This transaction has not been completed as of this date.

On February 13, 1992, an Agreement was entered into between CIC, William Craig, Barry Pomerantz, D. S. Dubbin, and Henry Dubbin, wherein it was agreed that upon the completion of the above-listed transactions (notwithstanding the fact that the transaction between the H. Dubbins and William Craig has not been completed), at the next meeting of the Board of Directors, CIC would issue a $200,000 Promissory Note each to the D. Dubbins and the H. Dubbins, interest and principal payable quarterly over a period of two (2) years at 8% interest, at which time the D. Dubbins would forgive the balance due to them from CIC for loans, deferred compensation, bonuses, and salary, in the amount of $496,923.63. At such time as the aforementioned transaction between the H. Dubbins and William Craig is completed, the H. Dubbins would forgive the balance due them from CIC for loans, deferred compensation, bonuses, and salary in the amount of $387,384.54.

A Special Meeting of the Board of Directors of CIC was held on Monday, March 30, 1992. At that time Resolutions were adopted by the Board of Directors as follows:

That the resignation of D. S. Dubbin as President of CIC and all subsidiaries is accepted.

That William Craig, a member of the Board of Directors, is elected President and Acting Treasurer of CIC.

That the Board approves the issuance of the aforementioned Promissory Notes in the amount of $200,000.00 each to the D. Dubbins and the H. Dubbins.

That the Board approves the General Release from the D. Dubbins to CIC, regarding the forgiveness of debt owed to them, and the General Release from CIC to the D. Dubbins regarding any and all claims, etc.

That the Board accepts the Mutual Releases between CIC, Seymour Friend, and Stanley Wasman, and accepts their resignation from the Board of Directors.

The $500,000 forgiveness referred to in Form 10-K, September 30, 1991; Form 10-Q, December 31, 1991, and Form 8, March 23, 1992, has been superseded by Paragraphs 3, 7, and 8 in this Form 8-K.

The private placement of debentures referred to in the above-described Forms 10-K, 10-Q, and Form 8,. has been superseded by a new proposed plan, terms and conditions of which will be set forth in the Form 10-Q as of March 31, 1992.

The Registrant is preparing an Annual Report and Proxy Statement for an Annual Shareholders Meeting to be held on or before June 15, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DATE: April 7, 1992

CANAVERAL INTERNATIONAL CORP.
(Registrant)

BY:
William Craig,
President

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act of 1934

For Quarter Ended February 29, 1992 Commission File No. 1-8066

DRECO ENERGY SERVICES LTD.
(Exact name of registrant as specified in its charter)

Alberta, Canada	N/A
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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3716 - 93 Street Edmonton, Alberta, Canada	T6E 5N3
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (403) 463-2065

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ______

At March 27, 1992, there were outstanding 6,084,515 Class "A" Common Shares, without par value, of the registrant.

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INTRODUCTORY STATEMENT

As used herein, the term "DESL" refers to Dreco Energy Services Ltd. and the term "Company" refers collectively to DESL and its subsidiaries, unless the context otherwise requires.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The following financial statements have been prepared from the Company's books and records without audit. In the opinion of the Company's management, all adjustments necessary for a fair presentation of such financial statements for the period indicated have been included. All such adjustments are of a normal recurring nature.

Currency and Exchange Rate

Unless otherwise indicated, all dollar figures herein (including the financial statements) are expressed in United States dollars. Where amounts are expressed in Canadian dollars, the equivalent value of a Canadian dollar in United States dollars is based upon the noon buying rate for Canadian dollars as reported by the Federal Reserve Bank of New York. That rate was $0.8460 on February 28, 1992 and $0.8410 on March 25, 1992.

DRECO ENERGY SERVICES LTD.

Consolidated Balance Sheets
As at February 29, 1992 and August 31, 1991

(Unaudited)

(In thousands of United States dollars)

ASSETS

	February 29, 1992	August 31, 1991
Current assets:		
Cash	$ 5,496	$ 1,836
Accounts receivable	10,437	10,849
Unbilled revenues	7,162	9,267
Inventories	7,318	6,913
Prepaid expenses and other assets	744	1,246
	31,157	30,111
Property, plant and equipment	17,578	16,989
Other assets	411	111
	$49,146	$47,211

The accompanying notes are an integral part of these financial statements.

DRECO ENERGY SERVICES LTD.

Consolidated Balance Sheets
As at February 29, 1992 and August 31, 1991

(Unaudited)

(In thousands of United States dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY

	February 29, 1992	August 31, 1991
Current liabilities:		
Accounts payable	$ 4,581	$ 5,202
Accrued liabilities		
Salaries and wages	335	538
Taxes and interest	313	342
Insurance and professional fees	1,349	1,400
Other liabilities	1,279	631
Current portion of long-term debt	124	93
	7,981	8,206
Long-term debt	2,677	2,848
	10,658	11,054
Contingencies and commitments		
Shareholders' equity:		
Class "A" common shares with no par value; 10,000,000 shares authorized 6,084,515 shares (6,084,515 in 1991) issued and outstanding	9,135	9,135
Contributed surplus	24,223	24,223
Retained earnings	3,949	485
Translation adjustments	1,181	2,314
Total shareholders' equity	38,488	36,157
	$49,146	$47,211

The accompanying notes are an integral part of these financial statements.

DRECO ENERGY SERVICES LTD.

Consolidated Statements of Operations
For the Three Months Ended February 29, 1992 and February 28, 1991

(Unaudited)

(In thousands of United States dollars except per share data)

	Three Months Ended February		Six Months Ended February	
	29, 1992	28, 1991	29, 1992	28, 1991
Revenues	$17,531	$18,284	$32,296	$33,707
Manufacturing and service costs	13,320	13,475	23,880	24,833
Income before other operating expenses	4,211	4,809	8,416	8,874
Other operating expenses:				
Administration and marketing	2,225	1,801	3,976	3,263
Engineering and product development	349	382	688	646
Other income	(306)	(185)	(439)	(245)
Equity income	-	-	(300)	-
Depreciation	871	750	1,606	1,376
	3,139	2,748	5,531	5,040
Operating income	1,072	2,061	2,885	3,834
Financing income (expenses)	753	(144)	597	
(306)				
Income before income taxes	1,825	1,917	3,482	3,528
Income taxes	748	690	1,354	1,270
Recovery of income taxes	(747)	(677)	(1,336)	(1,211)
Net income for the period	$ 1,824	$ 1,904	$ 3,464	$ 3,469
Primary and fully diluted income per share	$ 0.30	$ 0.33	$ 0.57	$ 0.66

The accompanying notes are an integral part of these financial statements.

DRECO ENERGY SERVICES LTD.

Consolidated Statements of Changes in Cash
For the Six Months Ended February 29, 1992 and February 28, 1991

(Unaudited)

(In thousands of United States dollars)

	February 29, 1992	February 28, 1991
CASH PROVIDED BY (USED IN) OPERATIONS		
Net income for the period	$3,464	$3,469
Charges to operations not requiring a current cash payment:		
Depreciation	1,606	1,376
Gain on sale of property, plant and equipment	(436)	(159)
Equity income	(300)	-
Foreign exchange gain recognized on long-term debt	-	62
Revaluation of inventories	-	300
	4,334	5,048
Net change in working capital items:		
Accounts receivable	(130)	(3,123)
Unbilled revenues	1,809	(3,249)
Inventories	(628)	(580)
Prepaid expenses and other assets	477	573
Accounts payable and accrued liabilities	(647)	2,286
Other liabilities	650	4,281
Cash provided by operations	5,865	5,236
CASH PROVIDED BY (USED IN) INVESTMENT ACTIVITIES		
Property, plant and equipment purchases	(3,008)	(2,725)
Proceeds from sale of fixed assets	844	426
	(2,164)	(2,299)
CASH PROVIDED BY (USED IN) FINANCING ACTIVTIES		
Repayments of long-term debt	(41)	(4,462)
Net proceeds from issue of common stock	-	8,959
Public offering expenses	-	(500)
	(41)	3,997
Net increase in cash	3,660	6,934
CASH (BANK INDEBTEDNESS) AT BEGINNING OF PERIOD	1,836	(1,695)
CASH (BANK INDEBTEDNESS) AT END OF PERIOD	$5,496	$5,239

Cash position comprises cash less short-term bank indebtedness.

The accompanying notes are an integral part of these financial statements.

DRECO ENERGY SERVICES LTD.

Notes to the Consolidated Financial Statements

(Unaudited)

1. INVENTORIES

	February 29, 1992	August 31, 1991
	(In thousands of U.S. dollars)	
Raw materials	$3,043	$2,660
Work-in-process	1,230	1,327
Finished goods	3,045	2,926
	$7,318	$6,913

2. INVESTMENT IN JOINT VENTURE

Long-term other assets include the Company's investment in a 75% owned Norwegian joint venture in the amount of $410,000 ($110,000 at August 31, 1991). This amount includes accumulated equity income of $300,000 (nil at August 31, 1991).

3. CONTINGENCIES AND COMMITMENTS

(a) Incidental to the business of the Company, the Company and one or more of its subsidiaries are parties to various lawsuits which allege negligence and liability for product failure or non-performance and claim damages arising therefrom. In management's opinion, to the extent the claims represented by any of these lawsuits are valid, they are either not material or are covered by insurance.

(b) At February 29, 1992, $9,670,000 ($5,037,000 at August 31, 1991) in letters of credit had been issued on behalf of the Company in connection with certain contracts and obligations. These letters of credit are released upon performance of the Company's contractual obligations under the letters of credit. Should the Company default in such performance, the Company will become liable for all or a portion of the outstanding letters of credit.

DRECO ENERGY SERVICES LTD.

Notes to the Consolidated Financial Statements

(Unaudited)

4. FINANCING EXPENSES

	Three Months Ended February,		Six Months Ended February,	
	29, 1992	28, 1991	29, 1992	28, 1991
	(In thousands of U.S. dollars)			
Interest expense:				
Long-term debt	$ (76)	$ (100)	$ (164)	$ (291)
Other	(11)	(42)	(31)	(97)
	(87)	(142)	(195)	(388)
Gain (loss) on foreign exchange	722	(132)	581	(73)
Interest income	118	130	211	155
Total financing income (expenses)	$ 753	$ (144)	$ 597	$ (306)

5. INCOME PER SHARE

The income per share data is based upon the following number of shares:

(a) Primary income per share - 6,084,515 shares for the three months ended February 29, 1992 (5,738,595 in 1991) and 6,084,515 shares for six months ended February 29, 1992, (5,213,901 in 1991) being the weighted average number of shares outstanding during the periods.

(b) Fully diluted income per share includes NIL (37,500 in 1991) shares that could be issued pursuant to the exercise of outstanding options.

The weighted average number of shares outstanding on a fully diluted basis is 6,084,515 shares for the three months ended February 29, 1992 (5,776,095 in 1991) and 6,084,515 shares for the six months ended February 29, 1992 (5,251,401 in 1991).

DRECO ENERGY SERVICES LTD.

Notes to the Consolidated Financial Statements

(Unaudited)

6. RECONCILIATION OF CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Under United States Generally Accepted Accounting Principles ("US GAAP"), the recoveries of income taxes which are reported in the Consolidated Statements of Operations through the utilization of losses that occurred prior to a reorganization would be credited directly to contributed surplus. The effects of this difference from Canadian Generally Accepted Accounting Principles ("Cdn GAAP") are as follows:

Consolidated Statements of Operations and Retained Earnings

	February 29, 1992	February 28, 1991
	(In thousands of U.S. dollars, except per share data)	
Cdn GAAP		
Income before income taxes	$ 3,482	$ 3,528
Income taxes	1,354	1,270
Recovery of income taxes	(1,336)	(1,211)
Net income for the period	3,464	3,469
Retained earnings (deficit) at beginning of the period	485	(6,417)
Public offering expenses	-	(500)
Retained earnings (deficit) at end of the period	$ 3,949	$(3,448)
Primary and fully diluted income per share	$ 0.57	$ 0.66
US GAAP		
Income before income taxes	$ 3,482	$ 3,528
Income taxes	1,354	1,270
Recovery of income taxes	(1,160)	(462)
Net income for the period	3,288	2,720
Deficit at beginning of the period	(1,677)	(7,363)
Public offering expenses	-	(500)
Retained Earnings (deficit) at end of the period	$ 1,611	$(5,143)
Primary and fully diluted income per share	$ 0.54	$ 0.52

DRECO ENERGY SERVICES LTD.

Notes to the Consolidated Financial Statements

(Unaudited)

Consolidated Balance Sheets

	February 29, 1992	February 28, 1991
	(In thousands of U.S. dollars)	
Cdn GAAP		
Shareholders' equity:		
Share capital	$ 9,135	$ 9,097
Contributed surplus	24,223	24,218
Retained earnings (deficit)	3,949	(3,448)
Translation adjustments	1,181	2,084
	$38,488	$31,951
US GAAP		
Shareholders' equity:		
Share capital	$ 9,135	$ 9,097
Contributed surplus	26,561	25,913
Retained earnings (deficit)	1,611	(5,143)
Translation adjustments	1,181	2,084
	$38,488	$31,951

7. RELATED PARTY TRANSACTIONS

At February 29, 1992, the Company had outstanding a loan to a director and officer of the Company in the amount of $596,229 (Canadian) ($587,228 (Canadian) at August 31, 1991). Under the terms of a loan agreement which allows the director and officer to borrow up to $600,000 (Canadian), the loan bears no interest, is to be repaid by August 31, 1992, and is secured by 125,000 shares of the Company.

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

For the six months ended February 29, 1992, the Company's operations generated a cash flow of $4,334,000 before changes in working capital, investing activities and financing activities, compared to $5,048,000 for the six months ended February 28, 1991, a decrease of $714,000. While net income for the period approximated net income for the corresponding period of the previous fiscal year, cash flow from operations in the current period was reduced by a number of charges to operations not requiring cash payments.

Changes in working capital items increased cash flow by $1,531,000 to $5,865,000 for the six months ended February 29, 1992, as compared to an increase of $188,000 to $5,236,000 in the comparable period of the prior fiscal year. The increase in cash flow during the current period was primarily as a result of a greater proportion of contracts with payment terms based upon progress payments. The mix of contracts performed by the Company and, hence, cash flow to the Company, can change from year to year depending on the payment terms that can be negotiated with customers.

The Company incurred capital expenditures of $3,008,000 for the six months ended February 29, 1992, compared to $2,725,000 in the same period of the prior fiscal year. Capital expenditures for the six months ended February 29, 1992 were $381,000 in the drilling and well servicing equipment segment and $2,627,000 in the downhole products segment as compared to $282,000 and $2,443,000 respectively in the corresponding period of the prior fiscal year. Proceeds from the sale of fixed assets were $844,000 during the period compared to $426,000 in the corresponding period of the prior fiscal year and were primarily realized from recoveries in respect of downhole products lost or abandoned by customers during drilling operations.

The Company reduced its long-term debt by $41,000 during the six months ended February 29, 1992 compared to $4,462,000 during the corresponding period of the prior fiscal year. During the corresponding period of the prior fiscal year the Company used $3,756,000 of the proceeds from its public offering to reduce long-term debt. In addition, long-term debt was further reduced by $706,000 from payments upon maturities. The repayment of long-term debt in fiscal 1991 in advance of the required maturities reduced the principal payments required to be made by the Company in respect of its long-term debt in the current fiscal year.

During the six months ended February 29, 1992, the Company entered into a new operating line of credit facility which increased the operating line of credit to $16,920,000 ($20,000,000 Canadian), subject to a borrowing base formula applied to the Company's levels of cash, accounts receivable, unbilled revenues, and inventories. At February 29, 1992, the Company had no outstanding cash borrowings under its operating line of credit facility, and had issued letters of credit to its customers in the amount of $9,670,000 against the facility, which reduced the amount available for borrowing under the facility to $7,250,000. These letters of credit are released upon performance of the Company's contractual obligations to its customers. At August 31, 1991, the Company had outstanding cash borrowings of $144,000 and had issued letters of credit to its customers in the amount of $5,037,000 which reduced the amount available for borrowing under its previous operating line of credit facility to $5,221,000.

At February 29 1992, the Company's working capital was $23,176,000 and its current ratio was 3.9:1 as compared to working capital of $21,905,000 and a current ratio of 3.6:1 at August 31, 1991.

Based upon the funds generated from operations and the amounts available under the Company's existing credit facilities, the Company believes that it will have sufficient funds to meet its cash requirements for the balance of the fiscal year ending August 31, 1992.

Results of Operations

Revenues

Revenues for the six months ended February 29, 1992 were $32,296,000, a decrease of $1,411,000 (4.2%) from the corresponding period of the prior fiscal year. The drilling and well servicing equipment segment accounted for $25,242,000 of the revenues, an increase of $355,000 from the previous year; the downhole products segment accounted for $6,680,000 of the revenues, a decrease of $1,763,000 from the previous year; and the general metal fabrication segment accounted for $374,000 of the revenues, a decrease of $3,000 from the previous year.

Revenues for the quarter ended February 29, 1992 were $17,531,000, a decrease of $753,000 (4.1%) from the corresponding quarter of the prior fiscal year. The drilling and well servicing equipment segment accounted for $14,365,000 of the revenues, an increase of $805,000 from the previous year; the downhole products segment accounted for $2,988,000 of the revenues, a decrease of $1,653,000 from the previous year, and the general metal fabrication segment accounted for $178,000 of the revenues, an increase of $95,000 from the previous year.

The increase in revenues in the drilling and well servicing equipment segment reflects increased revenues from contracts with a greater than normal proportion of components manufactured by others, the effect of which was partially offset by lower utilization of manufacturing capacity in the segment. The decrease in revenues in the downhole products segment reflects decreased activity levels in the Austin Chalk formation in Texas where the Company's downhole drilling motors are rented and decreased drilling activity in Canada where the Company rents its downhole drilling motors and specialized drilling tools. This decrease in North American revenues was partially offset by increased revenues from the Company's downhole products rented and sold outside North America.

Income Before Other Operating Expenses

For the six months ended February 29, 1992, income before other operating expenses decreased $458,000 (5.2%) and, as a percentage of revenues, was 26.1%, compared to 26.3% in the corresponding period of the prior fiscal year. For the quarter ended February 29, 1992, income before other operating expenses decreased $598,000 (12.4%) and as a percentage of revenues, was 24.0%, compared to 26.3% in the corresponding quarter of the prior fiscal year. The decreases principally resulted from a larger proportion of the Company's revenues being generated from the Company's drilling and well servicing equipment segment, which revenues generally have lower profitability levels than the Company's downhole products segment, and from decreased profitability levels in the Company's downhole products segment.

Other Operating Expenses

For the six months ended February 29, 1992, administration and marketing expenses increased $713,000 (21.9%) and for the quarter ended February 29, 1992, increased $424,000 (23.5%) from the corresponding periods of the prior fiscal year. This resulted primarily from higher staffing and salary levels.

For the six months ended February 29, 1992, engineering and product development expenses increased $42,000 (6.5%) and for the quarter ended February 28, 1992, decreased $33,000 (8.6%) from the corresponding periods of the prior fiscal year. The fluctuations principally resulted from varying levels of engineering and product development expenses being incurred for the development of new products during these periods which are charged to other operating expenses, and expenses associated with a particular customer order which are charged to manufacturing and service costs.

For the six months ended February 29, 1992, other income increased $194,000 to $439,000 and for the quarter ended February 29, 1992, increased $121,000 to $306,000 from the corresponding periods of the prior fiscal year. Principally, other income results from the gain on disposition of the Company's downhole products lost or abandoned by customers during drilling operations. As these are random occurrences the level of other income can fluctuate from one quarter to another.

The six months ended February 29, 1992, includes $300,000 of equity income realized by the Company from its 75% interest in Hitec-Dreco A.S., its Norwegian joint venture.

For the six months ended February 29, 1992 depreciation expense increased $230,000 (16.7%) and for the quarter ended February 29, 1992 increased $121,000 (16.1%) from the corresponding periods of the prior fiscal year. These increases are primarily the result of the increase in the size of the Company's fleet of downhole products for rent.

Financing Income

As a result of decreased interest expense caused by lower debt levels, increased interest income from higher levels of funds available for investment, and increased foreign exchange gains, income from financing activities increased $903,000 to $597,000 from the corresponding six months of the prior fiscal year and $897,000 to $753,000 from the corresponding quarter of the prior fiscal year.

Net Income

As a result of the factors described above, the net income of the Company for the six months ended February 29, 1992 was $3,464,000 or $0.57 per share, compared to $3,469,000 or $0.66 per share in the corresponding period of the prior fiscal year.

Net income of the Company for the quarter ended February 29, 1992 was $1,824,000 or $0.30 per share, as compared to $1,904,000 or $0.33 per share in the corresponding period of the prior fiscal year.

The Company has utilized all of its Canadian tax losses carried forward from previous years. During the six months ended February 29, 1992, the Company earned approximately $2,400,000 in Canada. Any future earnings generated in Canada will incur taxes at applicable Canadian rates.

Backlog

The Company's backlog at February 29, 1992 was $14,709,000, compared to $10,421,000 at August 31, 1991 and $29,253,000 at February 28, 1991. The Company's backlog is dependent upon the Company's ability to secure new contracts, most of which are competitively bid. Backlog does not include anticipated future revenues from the rental of downhole products.

Business Outlook

Revenues generated during the first six months of the current fiscal year from drilling motors rented in the Austin Chalk have declined in excess of 40% from the levels in the comparable period in the prior fiscal year. Also, during the current period the activity levels varied considerably. The Company is therefore uncertain about future drilling motor utilization in the United States, although it does not anticipate revenues in each of the third and fourth quarters of fiscal 1992 from its United States drilling motor rental fleet to exceed the level of revenues from the fleet in the second quarter of the fiscal year.

Drilling activity in Canada has also declined during the first six months of the current fiscal year from the comparable period in the prior fiscal year. Consequently, rental revenues from downhole products rented in Canada during this period have also declined. Activity levels in the second half of each fiscal year have traditionally been lower.

Although international sales and rental revenues from downhole products have more than doubled from the first six months of fiscal 1991, this growth has not been of a magnitude to offset the decline in revenues in North America. The Company continues to pursue opportunities outside North America for its downhole products.

The Company's 75% owned Norwegian subsidiary has submitted several tenders for North Sea platform drilling rigs. The Company also continues to receive enquiries and invitations to bid in connection with a number of opportunities in other international markets.

During the quarter, the Company entered into a contract with a Russian research institute which licenses the Company on a non-exclusive basis to manufacture a patented drilling motor rotor. This unique, light weight rotor is expected to reduce repair and maintenance costs in several applications.

PART II - OTHER INFORMATION

Item 1 Legal Proceedings

As previously reported, on January 9, 1991 a mast supplied by the Company detached during testing and fell from an offshore platform. The Company's investigations into this occurrence, and the extent to which the damages suffered by the Company and allegedly by its customer are covered by the Company's insurance, have been ongoing since that time.

On January 3, 1992, the Company's customer commenced legal proceedings in the United States District Court, Eastern District

On January 3, 1992, the Company's customer commenced legal proceedings in the United States District Court, Eastern District of Louisiana against the Company and its liability insurers claiming damages of $10 million plus attorney's fees and costs.

The Company intends to defend this claim vigorously. To the extent this claim might be adjudicated to be valid, the Company believes that the alleged damages are covered by insurance or are not material to the Company.

Item 5 Other Information

Net Operating Loss Carryforwards

As of February 29, 1992, two U.S. subsidiaries of the Company, Dreco, Inc. and Kremco Inc., had U.S. federal income tax net operating loss ("NOL") carryforwards, respectively, of approximately $48,000,000 and $8,000,000, most of which expire between 1998 and 2005. The value of any NOL carrryforwards depends on the ability of Dreco, Inc. and Kremco Inc. to generate U.S. federal taxable income. In addition, for alternative minimum tax purposes, only 90% of U.S. federal taxable income in any given year may be offset against such carryforwards.

The availability of these carryforwards to reduce future U.S. federal taxable income of Dreco, Inc. and Kremco Inc. is subject to various limitations under the Internal Revenue Code of 1986, as amended (the "Code"). In particular, the utilization of such carryforwards would be severely restricted upon the occurrence of certain changes (such as the issuance or exercise of rights to acquire stock, the purchase or sale of stock by 5% shareholders (as defined in Treasury Regulations), and the offering of stock by the Company), in each case during any three-year period resulting in a more than 50% aggregate change ("Ownership Change") in the beneficial ownership of the Company.

In the event of an Ownership Change, Section 382 of the Code imposes an annual limitation on the amount of a corporation's taxable income that can be offset by its NOL carryforwards. This limitation is generally expressed as an amount equal to the product of (i) the fair market value of the equity of the corporation (Dreco, Inc. or Kremco Inc. in this situation), and (ii) a percentage approximately equivalent to the yield on long-term tax-exempt bonds during the month in which the Ownership Change occurs. For these purposes, the fair market value of the equity of either or both of Dreco, Inc. and Kremco Inc. may be determined to be a nominal amount.

Although no assurance can be made, the Company believes that consummation of its 1990 public offering, together with any applicable changes of ownership in the past three years, resulted in a change in the beneficial ownership of the Company of approximately 43% and that the change in ownership limitations set forth in Section 382 of the Code would, therefore, not apply.

However, because the existence of a change in ownership under Section 382 is, in part, a question of fact, no opinion of counsel has been received or requested with respect thereto. Equity transactions after the date hereof by the Company or by 5% shareholders (including relatively small transactions and transactions beyond the Company's control) could cause these limitations to eventually become applicable to the Company. As the Company currently desires to avoid triggering these limitation rules, it will be restricted in its ability to issue stock options or rights for any purposes (including employee compensation) and to raise additional capital through the issuance of new equity securities, including securities convertible into its equity securities. Frederick W. Pheasey, the Chairman of the Board and a principal shareholder of the Company, has agreed with the Company not to sell or otherwise dispose of any shares of common stock prior to April 30, 1992.

Item 6 Exhibits and Reports on Form 8-K.

(a) Exhibits

10.32 Amending Agreement, dated as of August 31, 1991, between Dreco Energy Services Ltd., The Dreco Group of Companies Ltd., Dreco Holdings Ltd., Dreco Holdings Inc., Dreco, Inc. and Kremco Inc., and Royal Bank of Canada.

10.33 Collateral Security Agreement, dated as of August 31, 1991, by Dreco Energy Services Ltd. in favour of Royal Bank of Canada.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the Company's quarter ended February 29, 1992.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DRECO ENERGY SERVICES LTD.
(Registrant)

Date: March 27, 1992

By
F.L. Kobie

President and
Chief Executive Officer

Date: March 27, 1992

By
D.W. Ferko

Vice President, Finance,
Chief Financial Officer and
Treasurer

EXHIBIT 10.32

AMENDING AGREEMENT

WHEREAS Royal Bank of Canada (the "Lender"), Dreco Energy Services Ltd. (the "Borrower") and The Dreco Group of Companies Ltd., Dreco Holdings Ltd., Dreco Holdings Inc., Dreco, Inc. and Kremco Inc. (the "Dreco Subsidiaries") executed a credit agreement (the "Credit Agreement") dated as of August 30, 1991 whereby, among other things, the Lender agreed to advance monies to the Borrower and Dreco, Inc. pursuant to a credit facility in the aggregate principal sum of Cdn. $20,000,000 upon certain terms and subject to certain conditions;

AND WHEREAS the Lender, the Borrower and the Dreco Subsidiaries wish to make certain amendments to the Credit Agreement;

NOW THEREFORE for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lender, the Borrower and the Dreco Subsidiaries hereby covenant and agree as follows:

ARTICLE 1 - AMENDMENTS TO CREDIT AGREEMENT

1.1 The Lender, the Borrower and the Dreco Subsidiaries hereby agree that the Credit Agreement shall be amended in the manner described in Article 1 of this agreement.

1.2 Section 1.1 of the Credit Agreement is hereby amended by adding after Section 1.1(w) the following provisions:

"(w-1) "Excluded Prepayment Letter of Credit" means a Prepayment Letter of Credit which is designated in writing by the Lender as an Excluded Prepayment Letter of Credit in accordance with Section 7.6 of this Agreement;

(w-2) "Excluded Prepayment Letter of Guarantee" means a Prepayment Letter of Guarantee which is designated in writing by the Lender as an Excluded Prepayment Letter of Guarantee in accordance with Section 8.6 of this Agreement;"

1.3 Section 1.1 of the Credit Agreement is hereby amended by adding after Section 1.1(mm) the following provisions:

"(mm-1) "Prepayment Letter of Credit" means a Letter of Credit issued to secure a Member's obligation to repay, in certain circumstances, advance payments received by such Member from a customer in respect of a contract to provide services and products to such customer;

(mm-2) "Prepayment Letter of Guarantee" means a Letter of Guarantee issued to secure a Member's obligation to repay, in certain circumstances, advance payments received by such Member from a customer in respect of a contract to provide services and products to such customer;"

1.4 Section 1.1 of the Credit Agreement is hereby amended by adding after Section 1.1(xx) the following provision:

"(xx-1) "Unperformed Work Value" means, with respect to any given Prepayment Letter of Credit or Prepayment Letter of Guarantee, that amount at any given time which is calculated in the following manner:

(i) if, at such given time, no work has been performed by the Member who is obligated to perform the work under the contract in respect of which such Prepayment Letter of Credit or such Prepayment Letter of Guarantee is to be, or has been, issued, then the amount of the "Unperformed Work Value" applicable to such Prepayment Letter of Credit or such Prepayment Letter of Guarantee shall be the face amount of such Prepayment Letter of Credit or such Prepayment Letter of Guarantee; or

(ii) if, at such given time, some work has been performed by the Member who is obligated to perform the work under the contract in respect of which such Prepayment Letter of Credit or such Prepayment Letter of Guarantee is to be, or has been, issued and if the value of such work is less than the face amount of such Prepayment Letter of Credit or such Prepayment Letter of Guarantee, then the amount of the "Unperformed Work Value" applicable to such Prepayment Letter of Credit or such Prepayment Letter of Guarantee shall be an amount equal to the difference between the face amount of such Prepayment Letter of Credit or such Prepayment Letter of Guarantee and the value of the work performed under such contract; or

(iii) if, at such given time, some work has been performed by the Member who is obligated to perform the work under the contract in respect of which such Prepayment Letter of Credit or such Prepayment Letter of Guarantee is to be, or has been, issued and if the value of such work is equal to or more than the face amount of such Prepayment Letter of Credit or such

> Prepayment Letter of Guarantee, then the amount of the "Unperformed Work Value" applicable to such Prepayment Letter of Credit or such Prepayment Letter of Guarantee shall be NIL;"

1.5 Section 2.4(a) of the Credit Agreement is hereby amended by deleting the words "revolving term credit facility" from the third line of Section 2.4(a) and by replacing such deleted words with the words "revolving operating credit facility".

1.6 Section 2.6 of the Credit Agreement is hereby amended by adding after Section 2.6(a) the following provision:

"(a-1) "Consolidated Cash" means the aggregate amount of the cash collateral which has been deposited by the Borrower or Dreco, Inc. or both, as the case may be, with the Lender and which has been hypothecated and pledged in favour of the Lender pursuant to the documents described in Section 11.1(i) of this Agreement;"

1.7 Section 2.6 of the Credit Agreement is hereby amended by adding after Section 2.6(c) the following provisions:

"(c-1) "Non-Segregated Cash" means that portion of the Consolidated Cash which is not Segregated Cash, it being acknowledged that, for greater certainty, the "Non-Segregated Cash" shall include any portion of the Consolidated Cash which has been segregated and set aside in one or more separate bank accounts by the Lender in accordance with Section 7.7(b) or Section 8.7(b) of this Agreement;

(c-2) "Segregated Cash" means that portion of the Consolidated Cash which, pursuant to the written request of the Borrower, has been segregated and set aside in one or more separate bank accounts by the Lender and which is not available for withdrawal by the Borrower (subject to Section 15.5 of this Agreement) until the Lender receives written notice from the Borrower that it no longer wishes to segregate such portion of the Consolidated Cash, it being acknowledged that, for greater certainty, the "Segregated Cash" shall not include any portion of the Consolidated Cash which is segregated and set aside in one or more separate bank accounts by the Lender in accordance with Section 7.7(b) or Section 8.7(b) of this Agreement;".

1.8 Section 2.6(c) of the Credit Agreement is hereby amended by adding at the end of Section 2.6(c) the words "together with 100% of the Segregated Cash and 100% of the

Non-Segregated Cash up to a maximum amount of Non-Segregated Cash equal to the lesser of the following amounts:

(i) the sum of U.S. $8,000,000 (or the Equivalent Amount thereof in Canadian Dollars) or such greater sum as the Lender may approve in writing; or

(ii) the aggregate amount of all issued and outstanding Excluded Prepayment Letters of Credit and Excluded Prepayment Letters of Guarantee or such greater amount as the Lender may approve in writing; and"

1.9 Section 5.3 of the Credit Agreement is hereby amended by adding after the word "Lender" in the seventh line of Section 5.3 the words "or fails to satisfy all of the conditions precedent applicable to such Conversion or Rollover".

1.10 Section 6.3 of the Credit Agreement is hereby amended by adding after the word "Lender" in the sixth line of Section 6.3 the words "or fails to satisfy all of the conditions precedent applicable to such Conversion or Rollover".

1.11 Section 7.5 of the Credit Agreement is hereby deleted and replaced with the following:

"Section 7.5 - Maximum Amount

Notwithstanding any other provision of this Agreement, the aggregate amount of all outstanding Letters of Credit and Letters of Guarantee (after subtracting the aggregate amount of all outstanding Excluded Prepayment Letters of Credit and Excluded Prepayment Letters of Guarantee) shall not, at any time, exceed the sum of U.S. $12,000,000 (or the Equivalent Amount thereof in Canadian Dollars) without the prior written consent of the Lender.

1.12 Article 7 of the Credit Agreement is hereby amended by adding after Section 7.5 the following provisions:

"Section 7.6 - Designation as Excluded Prepayment Letters of Credit

Upon the Lender receiving from the Borrower a written request to designate a Prepayment Letter of Credit as an Excluded Prepayment Letter of Credit (which request may be delivered before or after the issuance of such Prepayment Letter of Credit) and upon the satisfaction of the conditions described below with respect to such Prepayment Letter of

Credit, the Lender shall deliver to the Borrower written confirmation that such Prepayment Letter of Credit has been designated as an Excluded Prepayment Letter of Credit. The conditions which must be satisfied in order to designate such Prepayment Letter of Credit as an Excluded Prepayment Letter of Credit are as follows:

(a) the Lender shall be satisfied that, immediately following such designation, the aggregate Borrowings outstanding under this Agreement shall not be in excess of the lesser of the Margin Limit or the sum of Cdn. $20,000,000 (or the Equivalent Amount thereof in U.S. Dollars);

(b) upon the request of the Lender (such request being within the Lender's absolute and unfettered discretion), the Dreco Group or one or more of its Members, as the case may be, shall place and maintain "wrongful call insurance" issued by the Export Development Corporation (or some other issuer acceptable to the Lender) in respect of such Prepayment Letter of Credit in favour of the Lender in an amount and upon terms and conditions which are satisfactory to the Lender acting reasonably;

(c) the term (or the unexpired portion of the term) of such Prepayment Letter of Credit shall not exceed one year; and

(d) as at the date of such designation and throughout the term of such Excluded Prepayment Letter of Credit, the Non-Segregated Cash shall equal or exceed the Unperformed Work Value (if any) applicable to such Excluded Prepayment Letter of Credit plus the aggregate amount of the Unperformed Work Value applicable to all of the other issued and outstanding Excluded Prepayment Letters of Credit and Excluded Prepayment Letters of Guarantee.

Section 7.7 - Monthly Reports as to Excluded Prepayment Letters of Credit

During the time period that one or more Excluded Letters of Credit is issued and outstanding, the following terms and conditions shall be applicable:

(a) each Member who is obligated to perform the work under the contract in respect of which an Excluded Prepayment Letter of Credit has been issued shall prepare and deliver or cause to be prepared and delivered to the Lender, within 10 Banking Days from the beginning of each calendar month and in respect of the immediately preceding calendar month, a certificate of an officer of the Borrower substantially in the form attached as Schedule "N" to this

Agreement and certifying the status of such contract, the face amount of such contract, the value of the work performed by such Member in respect of such contract as at the end of such immediately preceding calendar month, the value of the work performed by such Member during such immediately preceding calendar month, the Unperformed Work Value (if any) applicable to such Excluded Prepayment Letter of Credit as at the end of such immediately preceding calendar month, the estimated date of completion of such contract and any other information with respect to such contract that the Lender may reasonably request;

(b) at any time during such time period, the Lender shall have the right to segregate and set aside in one or more separate bank accounts (but only to the extent not already segregated and set aside pursuant to Section 8.7(b) of this Agreement) all or any part of that portion of the Consolidated Cash equal to the greater of the following amounts:

(i) the aggregate amount of the Unperformed Work Value applicable to all issued and outstanding Excluded Prepayment Letters of Credit and Excluded Prepayment Letters of Guarantee; or

(ii) the amount (if any) by which the aggregate Borrowings in Canadian Dollars outstanding under this Agreement exceeds the Margin Limit (after excluding 100% of the Non-Segregated Cash from the Margin Limit);

and, subject to Section 7.7(d) of this Agreement, neither the Borrower nor any other Member shall have the right to withdraw such portion of the Consolidated Cash segregated and set aside in such bank account or bank accounts without the prior written consent of the Lender;

(c) the Lender's right described in Section 7.7(b) of this Agreement shall be:

(i) exercisable in the Lender's absolute and unfettered discretion; and

(ii) exercisable contemporaneously with or immediately following the delivery by the Lender to the Borrower of written notice that the Lender has exercised or intends to exercise such right; and

(d) in circumstances where the Lender has exercised the right described in Section 7.7(b) of this Agreement and where the Borrower and Dreco, Inc. are in compliance with Section 2.5 of this Agreement, the Lender shall release from such portion of the Consolidated Cash segregated and set aside in such bank account or bank accounts in respect of each Excluded Prepayment Letter of Credit, within two Banking Days following receipt of each officer's certificate described in Section 7.7(a) of this Agreement, monies in an amount equal to the value of the work performed by such Member under the contract applicable to such Excluded Prepayment Letter of Credit during the immediately preceding calendar month in respect of which such officer's certificate is applicable."

1.13 Section 8.5 of the Credit Agreement is hereby deleted and replaced with the following:

"Section 8.5 - Maximum Amount

Notwithstanding any other provision of this Agreement, the aggregate amount of all outstanding Letters of Credit and Letters of Guarantee (after subtracting the aggregate amount of all outstanding Excluded Prepayment Letters of Credit and Excluded Prepayment Letters of Guarantee) shall not, at any time, exceed the sum of U.S. $12,000,000 (or the Equivalent Amount thereof in Canadian Dollars) without the prior written consent of the Lender.

1.14 Article 8 of the Credit Agreement is hereby amended by adding after Section 8.5 the following provisions:

"Section 8.6 - Designation as Excluded Prepayment Letters of Guarantee

Upon the Lender receiving from the Borrower a written request to designate a Prepayment Letter of Guarantee as an Excluded Prepayment Letter of Guarantee (which request may be delivered before or after the issuance of such Prepayment Letter of Guarantee) and upon the satisfaction of the conditions described below with respect to such Prepayment Letter of Guarantee, the Lender shall deliver to the Borrower written confirmation that such Prepayment Letter of Guarantee has been designated as an Excluded Prepayment Letter of Guarantee. The conditions which must be satisfied in order to designate such Prepayment Letter of Guarantee as an Excluded Prepayment Letter of Guarantee are as follows:

(a) the Lender shall be satisfied that, immediately following such designation, the aggregate Borrowings outstanding under this Agreement shall not be in excess of the lesser of the Margin Limit or the sum of Cdn. $20,000,000 (or the Equivalent Amount thereof in U.S. Dollars);

(b) upon the request of the Lender (such request being within the Lender's absolute and unfettered discretion), the Dreco Group or one or more of its Members, as the case may be, shall place and maintain "wrongful call insurance" issued by the Export Development Corporation (or some other issuer acceptable to the Lender) in respect of such Prepayment Letter of Guarantee in favour of the Lender in an amount and upon terms and conditions which are satisfactory to the Lender acting reasonably;

(c) the term (or the unexpired portion of the term) of such Prepayment Letter of Guarantee shall not exceed one year; and

(d) as at the date of such designation and throughout the term of such Excluded Prepayment Letter of Guarantee, the Non-Segregated Cash shall equal or exceed the Unperformed Work Value (if any) applicable to such Excluded Prepayment Letter of Guarantee plus the aggregate amount of the Unperformed Work Value applicable to all of the other issued and outstanding Excluded Prepayment Letters of Guarantee and Excluded Prepayment Letters of Credit.

Section 8.7 - Monthly Reports as to Excluded Prepayment Letters of Guarantee

During the time period that one or more Excluded Letter of Guarantee is issued and outstanding, the following terms and conditions shall be applicable:

(a) each Member who is obligated to perform the work under the contract in respect of which an Excluded Prepayment Letter of Guarantee has been issued shall prepare and deliver or cause to be prepared and delivered to the Lender, within 10 Banking Days from the beginning of each calendar month and in respect of the immediately preceding calendar month, a certificate of an officer of the Borrower substantially in the form attached as Schedule "N" to this Agreement and certifying the status of such contract, the face amount of such contract, the value of the work performed by such Member in respect of such contract as at the end of such immediately preceding calendar month, the value of the work performed by such Member during such immediately preceding calendar month, the Unperformed Work Value (if any) applicable to such Excluded Prepayment Letter of Guarantee as at the end of such immediately preceding calendar month, the estimated date of completion of such contract and any other information with respect to such contract that the Lender may reasonably request;

(b) at any time during such time period, the Lender shall have the right to segregate and set aside in one or more separate bank accounts (but only to the extent not already segregated and set aside pursuant to Section 7.7(b) of this Agreement) all or any part of that portion of the Consolidated Cash equal to the greater of the following amounts:

(i) the aggregate amount of the Unperformed Work Value applicable to all issued and outstanding Excluded Prepayment Letters of Guarantee and Excluded Prepayment Letters of Credit; or

(ii) the amount (if any) by which the aggregate Borrowings in Canadian Dollars outstanding under this Agreement exceeds the Margin Limit (after excluding 100% of the Non-Segregated Cash from the Margin Limit);

and, subject to Section 8.7(d) of this Agreement, neither the Borrower nor any other Member shall have the right to withdraw such portion of the Consolidated Cash segregated and set aside in such bank account or bank accounts without the prior written consent of the Lender;

(c) the Lender's right described in Section 8.7(b) of this Agreement shall be:

(i) exercisable in the Lender's absolute and unfettered discretion; and

(ii) exercisable contemporaneously with or immediately following the delivery by the Lender to the Borrower of written notice that the Lender has exercised or intends to exercise such right; and

(d) in circumstances where the Lender has exercised the right described in Section 8.7(b) of this Agreement and where the Borrower and Dreco, Inc. are in compliance with Section 2.5 of this Agreement, the Lender shall release from such portion of the Consolidated Cash segregated and set aside in such bank account or bank accounts in respect of each Excluded Prepayment Letter of Guarantee, within two Banking Days following receipt of each officer's certificate described in Section 8.7(a) of this Agreement, monies in an amount equal to the value of the work performed by such Member under the contract applicable to such Excluded Prepayment Letter of Guarantee during the immediately preceding calendar month in respect of which such officer's certificate is applicable."

1.15 Section 11.1 of the Credit Agreement is amended by adding after Section 11.1(h) the following provision:

"(i) collateral security agreements substantially in the Lender's standard form 610 (or such other form as the Lender may reasonably request) pledging and hypothecating in favour of the Lender the Consolidated Cash."

1.16 Section 15.4 of the Credit Agreement is hereby deleted and replaced with the following:

"Section 15.4 - Set-off

In addition to any rights and remedies now or hereafter granted under applicable law and not by way of limitation of any such rights, the Lender is hereby authorized, upon the occurrence of an Event of Default and the failure of the Defaulting Member to remedy such Event of Default prior to the expiration of the applicable grace period (if any) and upon the delivery of written notice to the Defaulting Member, to set-off and to appropriate and to apply any and all deposits (general and special) and any other indebtedness at any time held by or owing by the Lender to or for the credit of or the account of any Member including, without limitation, the Consolidated Cash against and on account of the obligations and liabilities of such Defaulting Member to the Lender under this Agreement including, without limitation, all claims of any nature or description arising out of or connected with this Agreement, irrespective of whether or not the Lender has made any demand under this Agreement and even though such obligations, liabilities or claims of such Defaulting Member or any of them are contingent or unmatured. The set-off rights described in this Section 15.4 are separate from and in addition to the rights and remedies available to the Lender under or pursuant to the Security. The Lender shall advise any Member of the exercise of any set-off rights pursuant to this Section 15.4 immediately after the exercise of such rights."

1.17 Section 15.5 of the Credit Agreement is hereby amended by:

(a) deleting the first line of Section 15.5 and by replacing such deleted line with the words "Subject to Sections 7.7 and 8.7 of this Agreement, upon the occurrence of an Event of Default and the failure of the Defaulting Member to remedy such Event of Default prior to the expiration of the applicable grace period (if any),"; and

(b) deleting the word "mounts" in the third last line of Section 15.5 and by replacing such deleted word with the word "amounts".

1.18 The Credit Agreement is hereby amended by adding as Schedule "N" the schedule attached to this agreement and marked as "Schedule "N" to Credit Agreement".

ARTICLE 2 - EFFECT OF AGREEMENT

2.1 The amendments to the Credit Agreement set out in this agreement shall be effective as of August 30, 1991.

2.2 Notwithstanding the execution and delivery of this agreement, the Security (as defined in the Credit Agrement) shall continue in full force and effect and the Borrower and the Dreco Subsidiaries hereby ratify and confirm the same.

2.3 Other than as provided in this agreement, the Credit Agreement shall remain unamended and in full force and effect and the Lender, the Borrower and the Dreco Subsidiaries hereby ratify and confirm the same.

ARTICLE 3 - MISCELLANEOUS PROVISIONS

3.1 This agreement shall be governed by and interpreted in accordance with the laws of the Province of Alberta, including the laws of Canada applicable therein.

3.2 The headings used in this agreement are inserted for the sake of convenience only and shall not be used in the construction or interpretation of this agreement.

ARTICLE 4 - EXECUTION

4.1 The Lender, the Borrower and the Dreco Subsidiaries have executed this agreement as of the 30th day of August, 1991.

ROYAL BANK OF CANADA

PER: R. Legg

PER: ______________________

DRECO ENERGY SERVICES LTD.

PER: ______________________

PER: ______________________

(affix corporate seal)

THE DRECO GROUP OF COMPANIES LTD.

PER:

PER:
(affix corporate seal)

DRECO HOLDINGS LTD.

PER:

PER:
(affix corporate seal)

DRECO HOLDINGS INC.

PER:

PER:
(affix corporate seal)

DRECO, INC.

PER:

PER:
(affix corporate seal)

KREMCO INC.

PER:

PER:
(affix corporate seal)

SCHEDULE "M" TO CREDIT AGREEMENT

OFFICER'S CERTIFICATE - EXCLUDED PREPAYMENT LETTERS OF CREDIT AND EXCLUDED PREPAYMENT LETTERS OF GUARANTEE

I, ______________________________, being the ______________ of Dreco Energy Services Ltd. (the "Borrower") hereby certify that:

1. I am authorized on behalf of the Borrower to deliver this certificate.

2. This certificate is delivered in accordance with Sections 7.7 and 8.7 of the credit agreement (the "Credit Agreement") dated as of August 30, 1991 and made among Royal Bank of Canada, the Borrower and certain other parties, as amended. Defined terms used in this certificate shall have the same meanings as in the Credit Agreement.

3. The status of the Excluded Prepayment Letters of Credit and the Excluded Prepayment Letters of Guarantee as at the end of ____________________, 199__ is accurately set out in Appendix 1 to this certificate.

4. The contracts described in Appendix 1 to this certificate are in good standing except as described below (insert details as to breach or the words "not applicable").

Dated at Edmonton, Alberta on the _____ day of ______________, 199___.

____

(signature of officer)

APPENDIX 1 TO OFFICER'S CERTIFICATE

L/C or L/G Number	Expiry Date of L/C or L/G	Face Amount of L/C or L/G in U.S. Dollars	Face Amount of Contract in U.S. Dollars	Aggregate Value of Work Completed to end of Current Month in U.S. Dollars	Value of Work Completed During Current Month in U.S. Dollars	Unperformed Work Value in U.S. Dollars applicable to L/C or L/G	Estimated Date of Completion of Contract

Aggregate Amount of Non-Segregated Cash = U.S $ ____________

150698

EXHIBIT 10.33

FORM 810 (11-90)

(USE WHEN DEPOSIT IS LOCATED IN CANADA, EXCEPT THE PROVINCE OF QUEBEC)

COLLATERAL SECURITY AGREEMENT

To: **ROYAL BANK OF CANADA**

and To **ROYAL BANK MORTGAGE CORPORATION**

FOR VALUABLE CONSIDERATION, receipt whereof is hereby acknowledged,

[illegible] Services Ltd.

(full name of Assignor(s))

(the "Customer") of 3716 - 91 Street, Edmonton, Alberta, T6E [illegible]

(full address of Assignor(s))

hereby agrees with the Royal Bank of Canada (the "Bank") as follows concerning the moneys now and hereafter on deposit with the Bank or, as the case may be, with Royal Bank Mortgage Corporation ("RBMC", for whom the Bank acts as agent) in the account or accounts described in Schedule "A" hereto and in any additional Schedule from time to time added hereto (the "Collateral Accounts") maintained pursuant to a deposit account agreement with the Bank or, as the case may be, RBMC, relating to the Collateral Accounts in the name of the Customer at the Bank's branch at

Insert name of branch

14th Floor, 10107 Jasper Avenue, Edmonton, Alberta, [illegible]

*Applicable only in P.P.S.A. Provinces

1 The Customer hereby assigns, transfers and sets over and grants a security interest in,* to and in favour of the Bank, the moneys in the Collateral Accounts and said moneys shall be held by the Bank or, as the case may be, by RBMC for and on behalf of the Bank, together with any and all additions and accretions thereto, as general and continuing collateral security for the payment and fulfilment of all debts, liabilities and obligations, present or future, direct or indirect, absolute or contingent, matured or not, of the Customer to the Bank whether arising within or outside Canada and whether arising from agreement or dealings between the Bank and the Customer or from any agreement or dealings with any third person by which the Bank may be or become in any manner whatsoever a creditor of the Customer or however otherwise incurred or arising, and whether the Customer be bound alone or with another or others and whether as principal or surety (such debts, liabilities and obligations the "Liabilities"), including without in any way limiting or restricting the generality of the foregoing, all debts, liabilities and obligations of the undersigned to the Bank arising out of or in respect of (a) any loans or advances heretofore or hereafter made by the Bank, (b) any letter of credit heretofore or hereafter issued by the Bank, and (c) any agreement or instrument or any endorsement thereon (a "Guarantee") heretofore or hereafter entered into by the Customer whereby the Customer guarantees the payment or fulfilment of debts or obligations of any other party (each and every such other party a "customer") to the Bank.

2 Whenever and so long as any Liabilities exist, the Bank will not be indebted or liable to the Customer in respect of the moneys now or hereafter on deposit in any Collateral Accounts. The Customer shall have no right to withdraw any moneys now or hereafter on deposit in the Collateral Accounts or to draw any cheques or drafts or other orders for the payment of money to be charged against the Collateral Accounts, or to assign, transfer or otherwise deal with such moneys now or hereafter on deposit in the Collateral Accounts, or any part thereof whenever and so long as any Liabilities exist.

3 If the Customer shall fail to pay or satisfy the Liabilities or any part thereof when due, or if a writ of execution or a garnishment or any similar or analogous writ, process or proceeding should be issued against or in respect of the Customer, or if the Customer should commit or threaten to commit any act of bankruptcy or make any assignment for the benefit of creditors, or if a receiver or other person with like powers should be appointed in respect of the Customer or if an encumbrancer should take possession of any of the properties or assets of the Customer, then

upon the happening of any such event

(a) all the Liabilities shall, immediately prior to the happening of any such event, be and become immediately due and payable; (b) the Customer shall immediately be and become directly indebted and liable to the Bank as a principal debtor in respect of all liabilities and obligations then existing or thereafter arising under or by virtue of each and every Guarantee; and (c) the Bank shall be entitled as and when it thinks fit and without prior notice to the Customer except as may be required by any applicable statute, and is hereby irrevocably authorized and empowered, to immediately apply all or any portion or portions of the moneys on deposit in the Collateral Accounts against and in reduction or extinction of all or any part or parts of the Liabilities, all as the Bank may see fit, and to debit the Collateral Accounts accordingly and for such purpose to direct RBMC to make all payments on any of the Collateral Accounts held with RBMC to the Bank, provided that if the Liabilities and the moneys on deposit in the Collateral Accounts are not in equal amounts, then the greater shall be extinguished only to the extent of the lesser and the excess shall remain owing and payable.

4 The Bank may grant time, renewals, extensions, indulgences, releases and discharges to, take securities (which word as used herein includes other Guarantees) from and give the same and any or all existing securities up to, abstain from taking securities from or from perfecting securities of, cease or refrain from giving credit or making loans or advances to, accept compositions from and otherwise deal with any customer or other party and with all securities as the Bank may see fit, and may apply all moneys at any time received from any customer or other party or from securities upon such part of the debts or liabilities of such customer or other party to the Bank as the Bank deems best and change any such application in whole or in part from time to time as the Bank may see fit, the whole without in any way limiting or lessening the rights and powers of the Bank to hold and deal with the said moneys now and hereafter on deposit in the Collateral Accounts in the manner provided for herein.

5 No loss of or in respect of any securities received by the Bank from any customer or other party, whether occasioned by the fault of the Bank or otherwise, shall in any way limit or lessen the rights and powers of the Bank to hold and deal with the moneys now and hereafter on deposit in the Collateral Accounts in the manner provided for herein.

6 The Bank shall not be bound to exercise any of its rights or remedies against any customer or other party or in respect of any securities that it may at any time hold before being entitled to appropriate and apply all or any portion or portions of the moneys now or hereafter on deposit in the Collateral Accounts for the purpose and in the manner provided for herein.

7 In the event that at any time or from time to time the moneys on deposit in the Collateral Accounts are in a currency different from the currency of any of the Liabilities, then for the purposes of this agreement the rate of exchange between the currencies shall be the relative rate of exchange of the Bank in effect on the date of conversion.

8 Interest in the Collateral Account is subject to the provisions of this agreement.

9 This agreement and the security afforded hereby is in addition to and not in substitution for any other security now or hereafter held by the Bank and is a continuing security.

10 The Customer agrees to pay all costs, charges and expenses reasonably incurred by the Bank or, as the case may be, by RBMC whether directly or for services rendered (including reasonable solicitors' and auditors' costs, registration costs and other legal expenses) in operating the Customer's accounts, in preparing or enforcing this Collateral Security Agreement and all such costs, charges and expenses.

11 This agreement shall be governed by and construed in accordance with the laws of the Province of Canada in which the Collateral Accounts are located.

12 This agreement shall extend to and enure to the benefit of the Bank and as the case may be RBMC and their respective successors and assigns, and shall be binding upon the Customer and the heirs, executors, administrators, legal representatives and assigns of the Customer and each of them.

[1] 13 The undersigned hereby acknowledges receipt of a copy of the agreement.

[1] Applicable only in P.P.S.A. Provinces

14. Notwithstanding Section 2 of this agreement, the Customer shall be entitled to withdraw any portion of the monies on deposit in the Collateral Accounts provided that:

(a) the Customer shall not be entitled to withdraw any monies on deposit in the Collateral Accounts which form part of the Segregated Cash (as defined in the credit agreement (the "Credit Agreement") dated as of August 30, 1991 and made among the Bank, Dreco Energy Services Ltd., The Dreco Group of Companies Ltd., Dreco Holdings Ltd., Dreco Holding Inc., Dreco, Inc. and Kremco Inc., as amended), without the prior written consent of the Bank;

(b) the Customer shall not be entitled to withdraw any monies on deposit in the Collateral Account which have been segregated and set aside in one or more separate bank accounts in accordance with Section 7.7(b) or Section 8.7(b) of the Credit Agreement except in circumstances where such monies have been released by the Bank in accordance with Section 7.7(d) or Section 8.7(d) of the Credit Agreement; and

(c) the Customer shall not withdraw any monies on deposit in the Collateral Accounts upon the occurrence and during the subsistence of an Event of Default (as defined in the Credit Agreement).

15. Notwithstanding Section 3 of this agreement, the Bank shall not be entitled to apply the monies on deposit in the Collateral Accounts against the Liabilities until an Event of Default (as defined in the Credit Agreement) has occurred and such Event of Default has not been remedied prior to the expiration of the applicable grace period (if any) set out in the Credit Agreement.

16. The Customer hereby irrevocably authorizes the Bank, from time to time, to insert in Schedule "A" to this agreement descriptions of one or more additional Collateral Accounts in circumstances where the Bank exercises the right described in Section 7.7(b) or Section 8.7(b) of the Credit Agreement.

IN WITNESS WHEREOF this agreement has been executed under seal at Edmonton, Alberta this 6th day of March, 1992.

DRECO ENERGY SERVICES LTD.

PER:____________________

PER:____________________
(affix corporate seal)

FORM 810 (11-[illegible])

SCHEDULE "A"
(COLLATERAL ACCOUNTS)

TYPE OF ACCOUNT Canadian Current Account

ACCOUNT NUMBER 1055144

TYPE OF ACCOUNT U.S. Current Account

ACCOUNT NUMBER 400-120-2

together with such other Collateral Accounts as may be described, from time to time, in this Schedule "A" in accordance with Section 16 of the agreement to which this Schedule "A" is attached.

0 3158
Q 35460

FORM 10-Q

E
92-2245 Dgw

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

92 14 1642

(Mark One)

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 28, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission file number 0-122

EICO Electronic Instrument Co., Inc.
(Exact name of registrant as specified in its charter)

New York	11-1524626
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

363 Merrick Road Lynbrook, NY 11563
(Address of principal executive offices) (Zip Code)

516 599-5744
(Registrant's telephone number, including area code)

____
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ___

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ___ No ___

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Capital stock - $1 par value - 604,450 shares outstanding as of May 1, 1992 (exclusive of 3,843 shares held in Treasury)

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EICO ELECTRONIC INSTRUMENT CO., INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(NOTES A AND B)
(UNAUDITED)

ASSETS	March 28, 1992	September 28, 1991
Cash	$ 302,927	$ 223,156
Property leased to others (at cost, less depreciation of $649,219 in March 1992 and $637,835 in September 1991)	563,602	574,986
Prepaid expenses	23,748	39,122
Rent receivable		58,333
Investment in U.S. Treasury bills (at cost, which approximates market)	1,025,000	1,025,000
Deposits and other deferred costs	16,182	20,181
TOTAL	$1,931,459	$1,940,778
LIABILITIES		
Accrued wages, taxes and other expenses	$ 29,249	$ 29,568
Income taxes payable	8,213	11,352
Dividend payable		151,113
Total liabilities	37,462	192,033
STOCKHOLDERS' EQUITY		
Capital stock - $1 par value - authorized 1,000,000 shares; issued 608,293 shares (including treasury shares)	608,293	608,293
Additional paid-in capital	617,213	617,213
Retained earnings	673,797	528,545
Total	1,899,303	1,754,051
Less cost of 3,843 shares capital stock in treasury	5,306	5,306
Total stockholders' equity	1,893,997	1,748,745
TOTAL	$1,931,459	$1,940,778

The attached notes are made a part hereof.

EICO ELECTRONIC INSTRUMENT CO., INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS
(NOTES A AND B)
(UNAUDITED)

	Twenty-Six Weeks Ended		Thirteen Weeks Ended	
	March 28, 1992	March 30, 1991	March 28, 1992	March 30, 1991
Income:				
Rental	$350,000	$350,000	$175,000	$175,000
Interest	42,029	42,018	20,453	21,747
Gross profit on electronic sales	853	1,284	300	465
Total	392,882	393,302	195,753	197,212
Expenses:				
Building operation	28,257	26,338	13,813	13,024
General	41,353	34,970	23,585	18,745
Corporate	62,020	55,537	34,915	28,737
Total	131,630	116,845	72,313	60,506
Earnings before income taxes	261,252	276,457	123,440	136,706
Income taxes	116,000	122,000	54,000	60,000
NET EARNINGS	$145,252	$154,457	$ 69,440	$ 76,706
Net earnings per share	$.24	$.26	$.11	$.13
Number of shares used in computing earnings per share	604,450	604,450	604,450	604,450
Dividends per share	None	None	None	None

The attached notes are made a part hereof.

Management's discussion and analysis of financial condition and results of operations is included on the following page.

EICO ELECTRONIC INSTRUMENT CO., INC.
AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Registrant reported net earnings of $145,252 and $69,440 for the 26-week and 13-week periods ended March 28, 1992, respectively, compared with net earnings of $154,457 and $76,706 for the comparable periods of the preceding fiscal year.

Changes in interest income are reflective of more funds being invested in 1992 over 1991, however, at lower average rates.

General and corporate expenses increased in each period of 1992 over 1991 primarily as a result of higher costs incurred in trying to obtain a new tenant or buyer for the property.

Cash and investments in U.S. Treasury bills, net of liabilities, increased to $1,290,465 at March 28, 1992 from $1,056,123 at September 28, 1991. The Company's lease for its property with the United States Postal Service expires on October 31, 1992. The tenant has indicated to the Company that it does not intend to seek a renewal of the lease. The Company is currently seeking a new tenant or buyer for the property. The Company has no material commitment for future capital expenditures and has sufficient resources to fulfill all current commitments.

EICO ELECTRONIC INSTRUMENT CO., INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	Twenty-Six Weeks Ended	
	March 28, 1992	March 30, 1991
Cash flows from operating activities:		
Cash received from tenant	$408,333	$350,000
Cash received from customers	2,168	3,254
Cash paid to suppliers and employees	(122,507)	(73,298)
Interest received	62,029	42,018
Income taxes paid	(119,139)	(273,189)
Net cash provided by operating activities	230,884	48,785
Net cash provided by investing activities - net investment in U.S. Treasury bills		21,227
Net cash (used in) financing activities - payment of dividend	(151,113)	(151,113)
NET INCREASE (DECREASE) IN CASH	79,771	(81,101)
Cash - beginning of period	223,156	346,026
CASH - END OF PERIOD	$302,927	$264,925

(Continued)

EICO ELECTRONIC INSTRUMENT CO., INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)
- Sheet 2 -

	Twenty-Six Weeks Ended	
	March 28, 1992	March 30, 1991
Reconciliation of net earnings to net cash provided by operating activities:		
Net earnings	$145,252	$154,457
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	11,384	11,384
Amortization of lease costs, etc.	3,999	3,870
Decrease in:		
Accounts receivable		441
Prepaid expenses	15,374	21,721
Rent receivable	58,333	
Increase (decrease) in:		
Accrued wages, taxes and other expenses	(319)	6,101
Income taxes payable	(3,139)	(149,189)
Net cash provided by operating activities	$230,884	$ 48,785

The attached notes are made a part hereof.

EICO ELECTRONIC INSTRUMENT CO., INC.
AND SUBSIDIARIES

NOTES TO FORM 10-Q
(UNAUDITED)

(Note A):

The financial information contained in this Form 10-Q represents condensed financial data and, therefore, does not include all footnote disclosures required to be included in financial statements prepared in conformity with generally accepted accounting principles. Such footnote information was included in the Company's annual report to shareholders for the year ended September 28, 1991; the condensed financial data included herein should be read in conjunction with the annual report.

(Note B):

(1) In management's opinion, all necessary adjustments have been made in order to present fairly the consolidated results for the interim periods.

(2) The results of operations for the twenty-six weeks ended March 28, 1992 are not necessarily indicative of the results of operations for the year ending October 3, 1992.

(Note C):

Earnings per share is based on the average number of shares outstanding during each period, exclusive of treasury shares.

(Note D):

Income taxes on the consolidated statement of operations comprises:

	Twenty-Six Weeks Ended		Thirteen Weeks Ended	
	March 28, 1992	March 30, 1991	March 28, 1992	March 30, 1991
Currently payable:				
Federal	$ 75,000	$ 79,000	$35,000	$39,000
State and local	41,000	43,000	19,000	21,000
Total	$116,000	$122,000	$54,000	$60,000

Federal income taxes are computed at statutory rates, including the effect of surtax exemptions.

EICO ELECTRONIC INSTRUMENT CO., INC.
AND SUBSIDIARIES

PART II

OTHER INFORMATION

No reporting is made under this part of the report since each item required to be reported on is either inapplicable or the answer to such item would be negative.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EICO ELECTRONIC INSTRUMENT CO., INC.
(Registrant)

May 11, 1992

By________________________
Principal Financial Officer

May 11, 1992

By________________________
Secretary

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SECTION

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the transition period from to

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Commission File Number : 0-12499

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st Financial Bancorp

act name of registrant as specified in its charter)

California	**94-28222858**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
701 South Ham Lane , Lodi, California	**95242**
(Address of principal executive offices)	(Zip Code)

(209)-367-2000
(Registrant's telephone number, including area code)

NA
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

[X] Yes [ ] No

As of March 31, 1992, there were 1,251,451 shares of Common Stock, no par value, outstanding.

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FIRST FINANCIAL BANCORP

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 1992

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SECURITIES AND EXCHANGE COMMISSION – FORM 10-Q

PART I – FINANCIAL INFORMATION

Item 1.

First Financial Bancorp & Subsidiary
Consolidated Balance Sheets

Assets	March 31 1992	Dec. 31 1991
	(Dollar amounts in thousands, except per share amounts)	
Cash and due from banks	$ 6,040	$ 6,413
Interest bearing deposits in banks	450	200
Investment securities	11,162	11,467
Federal funds sold	1,900	3,800
Loans	69,643	69,214
Less: allowance for loan losses	837	823
Net loans	68,806	68,391
Bank premises and equipment, net	7,429	7,497
Accrued interest receivable	1,067	1,211
Other assets	1,428	1,278
Total Assets	$ 98,282	$ 100,257
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Noninterest bearing	$ 4,662	$ 5,221
Interest bearing	80,526	82,264
Total deposits	85,188	87,485
Accrued interest payable	561	684
Other liabilities	368	126
Note payable	2,692	2,698
Total liabilities	88,809	90,993
Stockholders' equity:		
Common stock - no par value; authorized 9,000,000 shares, issued and outstanding 1991 and 1992, 1,251,451 shares	7,095	7,095
Retained earnings	2,378	2,169
Total stockholders' equity	9,473	9,264
Total Liabilities and Stockholders' Equity	$ 98,282	$ 100,257

SECURITIES AND EXCHANGE COMMISSION – FORM 10-Q

PART I – FINANCIAL INFORMATION

First Financial Bancorp & Subsidiary
Consolidated Statements of Income

	Three months ended March 31 1992	 1991
	(Dollar amounts in thousands, except per share amounts)	
Interest income:		
Loans, including fees	$ 1,800	$ 1,798
Investment securities:		
Taxable	79	74
Exempt from federal taxes	120	109
Federal funds sold	27	23
Deposits in banks and other interest	3	4
Total interest income	2,029	2,008
Interest expense:		
Deposit accounts	996	1,126
Other	72	1
Total interest expense	1,068	1,127
Net interest income	961	881
Provision for loan losses	45	60
Net interest income after provision for loan losses	916	821
Other income:		
Service charges	137	106
Premiums and fees from SBA and mortgage operations	197	125
Miscellaneous	36	21
Total other income	370	252
Operating expense:		
Salaries and employee benefits	462	432
Occupancy	98	74
Equipment	86	76
Other	337	267
Total operating expense	983	849
Income before provision for income taxes	303	224
Provision for income taxes	90	57
Net income	$ 213	$ 167
Earnings per share:		
Primary	$ 0.16	$ 0.14
Fully diluted	$ 0.16	$ 0.14

SECURITIES AND EXCHANGE COMMISSION – FORM 10-Q

PART I – FINANCIAL INFORMATION

First Financial Bancorp & Subsidiary
Consolidated Statements of Cash Flows

	Three months ended March 31 1992	 1991
	(Dollar amounts in thousands, except per share amounts)	
Cash flows from operating activities:		
Net income	$ 213	$ 167
Adjustments to reconcile net income to net cash flows provided by/(used in) operating activities:		
Loans made for resale	(4,632)	(1,774)
Principal received on sale of loans*	4,693	2,405
Loan loss provision	45	60
Amortization of loan fees	(133)	(86)
Depreciation & amortization	103	81
(Increase)/decrease in interest receivable and other assets	(6)	44
Increase/(decrease) in interest payable and other liabilities	119	334
Net cash provided by/(used in) operating activitites	402	1,231
Cash flows from investing activities:		
Purchase of certificates of deposit in banks	(250)	0
Proceeds form maturity of certificates of deposit in banks	0	200
Purchase of investment securities	(323)	(150)
Proceeds from maturity of investment securities	628	259
(Increase)/decrease in loans made to customers	(388)	2,285
Capital expenditures	(35)	(759)
Net cash provided by/(used in) investing activities	(368)	1,835
Cash flows from financing activities:		
Increase/(decrease) in non-interest-bearing deposits	(559)	(1,257)
Increase/(decrease) in interest-bearing deposits	(1,738)	(451)
Payments on note payable	(6)	0
Proceeds from issuance of common stock	0	6
Payment on fractional shares of stock dividends	(4)	(2)
Net cash provided by/(used in) financing activities	(2,307)	(1,704)
Net increase/(decrease) in cash and cash equivalents	(2,273)	1,362
Cash and cash equivalents at beginning of period	10,213	5,824
Cash and cash equivalents at end of period	$ 7,940	$ 7,186

SECURITIES AND EXCHANGE COMMISSION – FORM 10-Q

PART I – FINANCIAL INFORMATION

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Changes in Financial Condition

During the three months ended March 31, 1992, total assets of First Financial Bancorp and Subsidiary declined by $1,975,000 or 1.97%. The asset category in which nearly all of the reduction took place was federal funds sold which decreased by $1,900,000 or 50%. The decline in assets was primarily due to a net outflow of deposits during the quarter of $2,297,000 or 2.63%. Non interest bearing deposits declined by $559,000 or 10.71% , while interest bearing accounts fell $1,738,000 or 2.1%. The deposit outflow was the result of seasonal deposit activity. There were no other material changes in the mix or maturity distribution of either earning assets or deposit liabilities during the quarter.

Changes in Results of Operations

Net interest income before provision for loan losses increased by $80,000 or 9.1% . The change was the result of several factors as discussed in the following paragraphs.

Average earning assets increased approximately 16% over the prior-year quarter, while total interest income for the three months ended March 31, 1992 was substantially the same as total interest income for the three months ended March 31, 1991. Increased earnings potential from the growth in earning assets was offset by a general decline in interest rates. The average yield on earning assets declined by approximately 140 basis points for the quarter ended March 31, 1992 versus the quarter ended March 31, 1991.

Average deposit balances increased by approximately 14.5% over the prior-year quarter. As compared to the quarter ended March 31, 1991, the average expense yield on total deposit liabilities for the quarter ended March 31, 1992 declined by approximately 155 basis points. Measured against just interest bearing deposits, the decline in the average expense yield was approximately 165 basis points, resulting in a reduction of interest expense on deposits of $158,000 or 14%. Interest expense for the quarter ended March 31, 1991 was net of $28,000 in interest that was capitalized as part of the construction cost for the new headquarters facility.

Other interest expense increased to $72,000 from $1,000 due to the acquisition in late 1991 of permanent mortgage financing on the company's headquarters facility.

The provision for loan losses of $15,000 is 25% below the prior year quarter. The higher prior year provisions, both during the first quarter and at year-end were the result of potential losses from a weakening economy as contrasted with the slowly improving economic environment in the current year.

The increase in other income of $118,000 or 47% is due primarily to increased SBA and mortgage activity. SBA premium income increased 53%, while mortgage loan origination volume increased by 179%. Both the mortgage and SBA departments benefited from an increased corporate focus on the business opportunities in these areas. In addition, the recent decline in mortgage interest rates prompted an increase in home mortgage refinancings in comparison to the prior-year quarter. Deposit account service charges increased $31,000 or 29.25% reflecting growth in deposit balances as well as an overall increase in transaction volumes in relation to the deposit account base.

Operating expenses increased $134,000 or 15.8%. The increase is due primarily to the overall growth of the bank as well as the specific growth in the SBA and mortgage operations.

All material inter company accounts and transactions have been eliminated in consolidation. The financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results of the interim periods presented.

SECURITIES AND EXCHANGE COMMISSION – FORM 10-Q

PART II – OTHER INFORMATION

First Financial Bancorp & Subsidiary

ITEM 1. LEGAL PROCEEDINGS

Not Applicable.

ITEM 2. CHANGES IN SECURITIES

Not Applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The information required by this item is contained in the Notice of Annual Meeting of Shareholders and Proxy Statement dated April 3, 1992 and is herein incorporated by reference. With respect to purpose number 2, there were no other items of business transacted.

ITEM 5. OTHER INFORMATION

Not Applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit Number	
2	Not Applicable.
4	Registrant's current Bylaws.
11	Primary and fully diluted earnings per common and common equivalent share are calculated by dividing net income by the weighted-average number of common and common share equivalents outstanding during the period. Stock options are considered common share equivalents for this calculation. Weighted average shares used in the computation of earnings per share were 1,299,275 and 1,178,126 for the quarters ended March 31, 1992 and 1991 respectively.
15	Not Applicable.
16	Not Applicable.
18	Not Applicable.
19	Not Applicable.

Exhibit Number	
20	Not Applicable
23	Notice of Annual Meeting and Proxy Statement dated April 3, 1992; filed April 13, 1992.
24	Not Applicable.
25	Not Applicable.
28	Not Applicable.

(b) Reports on Form 8-K

Report of Declaration of Stock Dividend filed on form 8-K January 23, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST FINANCIAL BANCORP

Date 5/14/92

William Freitas
President
Chief Executive Officer

Date 5-14-92

David M. Philipp
Vice-President
Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarter Ended March 31, 1992   Commission File No.0-12092

FIRST NATIONAL CORPORATION
(Exact name of registrant as specified in its ch

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NORTH DAKOTA	45-0375407
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

322 Demers Avenue
Grand Forks, North Dakota 58201
(Address of principal executive offices)

Registrant's telephone number, including area code: (701) 795-3200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes Y No __

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of April 30, 1992.

Class	Outstanding at April 30, 1992
Common Stock (No par value)	1,474,677 Shares

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FIRST NATIONAL CORPORATION

FORM 10-Q

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PART I - FINANCIAL INFORMATION

ITEM 1 - Financial Statements

FIRST NATIONAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
March 31, 1992 and December 31, 1991

(dollars in thousands) ASSETS	March 31, 1992 (Unaudited)	December 31, 1991
Cash and Due From Banks	$ 20,270	$ 27,725
Federal Funds Sold	6,915	24,479
Cash and Cash Equivalents	$ 27,185	$ 52,204
Interest-Bearing Deposits in Banks	131	875
Investment Securities	116,254	105,125
Loans and Leases	220,120	218,380
Unearned Discount	(529)	(761)
Allowance for Loan Losses	(4,563)	(4,452)
Net Loans and Leases	$215,028	$213,167
Bank Premises and Equipment	10,066	10,170
Accrued Interest Receivable	4,200	3,892
Other Assets	3,216	3,431
	$ 376,080	$ 388,864
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-Bearing	$ 40,390	$ 51,467
Interest-Bearing	295,830	295,154
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	2,120	2,358
U.S. Demand Notes	1,718	2,005
Other Borrowed Funds	2,112	3,226
Accrued Interest Payable	2,815	3,477
Accrued Taxes and Expenses	1,362	1,817
Dividends Payable	191	176
Other Liabilities	1,844	2,330
Total Liabilities	$ 348,382	$ 362,010
Shareholders' Equity:		
Common Stock, No Par Value, 5,000,000 Shares Authorized Shares Issued and Outstanding: March 1992: 1,473,061 December 1991: 1,466,658	$ 7,809	$ 7,896
Surplus	1,336	1,336
Retained Earnings	18,553	17,622
Total Shareholders' Equity	$ 27,698	$ 26,854
	$376,080	$ 388,864

FIRST NATIONAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
For the Three Month Period Ended March 31, 1992 and 1991
(Unaudited)

(dollars in thousands except amounts per share)	March 31 1992	March 31 1991
INTEREST INCOME		
Loans, Including Fees	$ 5,770	$ 5,355
Investment Securities:		
Taxable	1,786	1,686
Exempt from Federal Income Taxes	257	313
Federal Funds Sold	193	264
Deposits with Banks	19	11
Total Interest Income	$ 8,025	$ 7,629
INTEREST EXPENSE		
Deposits	$ 3,830	$ 4,175
Federal Funds Purchased and Repurchase Agreements	18	32
Other Borrowed Funds	74	171
Total Interest Expense	$ 3,922	$ 4,378
NET INTEREST INCOME	$ 4,103	$ 3,251
Provision for Loan Losses	(195)	(195)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSS	$ 3,908	$ 3,056
OTHER OPERATING INCOME		
Trust Income	$ 657	$ 576
Service Charges on Deposit Accounts	230	232
Other	197	169
Securities Gains (Losses)	(35)	7
Total	$ 1,049	$ 984
OTHER OPERATING EXPENSE		
Salaries	$ 1,457	$ 1,232
Profit Sharing and Employee Benefits	397	356
Net Occupancy Expense	227	191
Furniture and Equipment Expense	342	254
Other	1,028	924
Total	$ 3,451	$ 2,957
INCOME BEFORE INCOME TAXES	$ 1,506	$ 1,083
Applicable Income Taxes	480	309
NET INCOME	$ 1,026	$ 774
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	1,469,613	1,455,465
PER SHARE OF COMMON STOCK:		
Net Income Per Share	$.70	$.53
Cash Dividends Declared	$.13	$.12

FIRST NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Three Months Ended March 31, 1992 and 1991
(Unaudited)

OPERATING ACTIVITIES (dollars in thousands)	March 31, 1992	1991
Net Income	$1,026	$774
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Provision for Loan Losses	195	195
Depreciation and Amortization	392	334
(Gain) Loss on Sale of Investment Securities	34	(7)
(Gain) Loss on Sale of Assets Acquired Through Foreclosure	(1)	3
Investment Security Premium Amortization	48	2
Increase in Accrued Interest Receivable	(308)	(940)
Decrease in Accrued Interest Payable	(662)	(569)
Decrease in Accrued Taxes and Expenses	(455)	(139)
Increase in Other Assets	(271)	(373)
Decrease in Other Liabilities	(471)	(525)
Accretion of Unearned Income	(127)	(180)
Net Cash Provided by Operating Activities	$(600)	$(1,425)
INVESTING ACTIVITIES		
Proceeds from Maturities of Investment Securities	$6,223	$5,756
Purchases of Investment Securities	(17,434)	(13,739)
Proceeds from Maturities Deposits With Banks	744	1,000
Net Decrease in Loans and Leases	(1,929)	2,003
Purchases of Bank Premises and Equipment	(203)	(448)
Proceeds From Sale of Assets Acquired Through Foreclosure and Satisfaction of Loans	411	19
Net Cash Provided by Investing Activities	$(12,188)	$(5,409)
FINANCING ACTIVITIES		
Net (Decrease) Increase in Deposits	$(10,401)	$(8,651)
Net (Decrease) Increase in Short-Term Borrowings	(525)	(1,330)
Cash Dividends	(191)	(175)
Repayment of Other Borrowed Funds	(1,114)	(1,088)
Net Cash Provided by Financing Activities	$(12,231)	$(11,244)
DECREASE IN CASH AND CASH EQUIVALENTS	$(25,019)	$(18,078)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	52,204	40,230
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$27,185	$22,152
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 4,585	$ 4,947
Income Taxes	183	237
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Loan Principal Reductions from Receipt of Noncash Assets	$ 305	$ 45

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 Summary of Significant Accounting Policies

The foregoing financial statements are unaudited. In the opinion of Management, all adjustments (comprising only normal recurring accruals) necessary for a fair presentation of the financial statements have been included. A summary of the Corporation's significant accounting policies is set forth in Note 1 to the Consolidated Financial Statements in the Corporation's 1991 Annual Report.

* * * * * * * * * * * * * * * * *

FIRST NATIONAL CORPORATION
AND CONSOLIDATED SUBSIDIARY
FINANCIAL STATEMENTS

The interim financial statements are unaudited but, in the opinion of management, reflect all adjustments necessary for a fair presentation of results for such periods. The results of operations for any interim period are not necessarily indicative of results for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's annual report for the year ended December 31, 1991.

Brady, Martz & Associates, P.C., the Company's auditors, have performed a limited review of the consolidated financial statements included herein. Their report on such review accompanies this filing.

BRADY
MARTZ
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Directors and Shareholders
First National Corporation

We have made a review of the consolidated balance sheet of First National Corporation and subsidiaries as of March 31, 1992, and the related consolidated statements of income for the three month periods ended March 31, 1992 and 1991, in accordance with standards established by the American Institute of Certified Public Accountants. The consolidated balance sheet as of December 31, 1991 has been derived from, and does not include all the disclosures contained in, the consolidated financial statements for the year ended December 31, 1991. These financial statements were audited by us and our report thereon, dated January 31, 1992, expressed an unqualified opinion on them.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the consolidated balance sheet as of March 31, 1992 and the consolidated statements of income and cash flows for the three month periods ended March 31, 1992 and 1991, for them to be in conformity with generally accepted accounting principles.

Brady Martz + Associates, P.C.
BRADY, MARTZ AND ASSOCIATES, P.C.

Grand Forks, North Dakota
May 13, 1992

BRADY, MARTZ & ASSOCIATES, P.C.
400 Demers Avenue Suite 300 P.O. Box 1076
[illegible]

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

A. Highlights

($ in thousands except per share amounts)	Three Months Ended March 31, 1992	1991	Increase (Decrease) Amount	Percentage
Net Income	$1,026	$774	$ 252	32.6%
Dividends Declared	191	175	16	9.1%
Per Share				
Net Income	$.70	$.53	.17	32.1%
Dividends Declared	.13	.12	.01	8.3%

($ in thousands except per shares amounts)	March 31, 1992	December 31, 1991	Increase (Decrease) Amount	Percentage
Assets	$376,080	$388,864	(12,784)	(3.3%)
Deposits	336,220	346,621	(10,401)	(3.0%)
Loans (net of unearned income)	219,591	217,619	(1,972)	.9%
Investment Securities	116,254	105,125	11,129	10.6%
Fed Funds Sold	6,915	24,479	(17,564)	(71.8%)
Shareholder's Equity	27,698	26,854	844	3.1%
Per Share:				
Book Value	$18.80	$18.31	$.49	2.7%

B. Earnings Summary

($ in thousands)	Three Months Ended March 31, 1992	1991	% Change
Net Interest Income			
Tax Equivalent Basis	$4,242	$3,445	23.1%
Noninterest Income	1,049	984	6.6%
Provision for Loan Losses	195	195	-
Noninterest Expense	3,451	2,957	16.7%
Net Income	1,026	774	32.6%
Return on Average Assets	1.10%	.95%	15.8%
Return on Average Shareholders' Equity	15.13%	12.69%	19.2%

(1) Overview

First National Corporation's (the "Company") net income totaled $1,026,000 for the three month period ended March 31, 1992, an increase of $252,000 or 32.6% from $774,000 reported for the same period in 1991. The favorable change in earnings performance from the comparative three month period resulted primarily from an increase in net interest income. The increase in net interest income was caused by primarily two factors.

First, the downward shift in interest rates has caused a favorable effect on the interest margin as deposits have repriced more rapidly than loans. The impact of repricing is expected to level off during the latter part of 1992. Secondly, the interest margin identified with the acquired assets and assumed deposits of the former First Federal of Fargo contributed to the net interest income increase. The income and expense effect of the newly acquired earning assets is included in the Company's results of operations from November 1991.

Net interest margin, on a tax equivalent basis, increased to 4.99% for the first quarter of 1992 compared to 4.63% for the same period in 1991. Net interest margin in the second quarter and for the year 1992 as a whole is expected to stabilize as interest rates level off and as the repricing of interest earning assets and deposits is completed.

(2) Net Interest Margin

	Three Months Ended			
	March 31, 1992		March 31, 1991	
($ in thousands)	Amount	Rate	Amount	Rate
Interest Income (Tax Equivalent)	$8,164	9.60%	$7,823	10.52%
Interest Expense	3,922	5.24%	4,378	6.81%
Net Interest Income	$4,242		$3,445	
Net Interest Spread		4.36%		3.71%
Net Interest Margin		4.99%		4.63%

Tax-equivalent net interest income for the first three months of 1992 increased $797,000 or 23.1% as compared to the same period in 1991. Increases in net interest income in the near future will likely originate from overall growth rather than from increases in interest spreads, which are anticipated to stabilize.

(3) Credit Quality

The provision for loan losses for the first three months of 1992 was $195,000 compared with $195,000 for the same period of 1991, and $780,000 for the full year 1991. Net loan charge-offs totaled $84,000 in the first three months of 1992 compared with net charge offs of $88,000 for the same period in 1991 and with net charge-offs of $670,000 for the full year 1991. At March 31, 1992, the allowance for loan losses was $4,563,000 or 2.1% of gross loans, compared with 2.0% at December 31, 1991.

Nonperforming loans at March 31, 1992, which includes non-accrual loans, restructured loans and loans past due 90 days or more, totaled $3,894,000 or 1.8% of gross loans outstanding, compared with 3,727,000 or 1.7% at December 31, 1991. Nonperforming agricultural loans represent $456,000 or 11.7% of total nonperforming loans and 1.1% of total agricultural loans outstanding at March 31, 1992.

(4) Noninterest Income

Noninterest income totaled $1,049,000 in the first three months of 1992, up $65,000 or 6.6% compared to the same period in 1991. Trust income increased $81,000 or 14.1% to $657,000. The higher level of noninterest income is expected to continue for the remainder of the year, particularly as trust services are expanded.

Investment securities losses were $35,000 in the first quarter of 1992 compared to gains of $7,000 for the same period in 1991.

(5) Noninterest Expense

Noninterest expense totaled $3,451,000 for the first three months of 1992 compared to $2,957,000 for the same period in 1991. This represents an increase of $494,000 or 16.7%. The increase resulted primarily from the costs of assimilating First Federal of Fargo and the additional expenses related to operating the new Fargo locations. Salaries and employee benefits, the largest component of noninterest expense, increased $266,000 or 16.8% to $1,854,000.

The premium assessment for FDIC insurance has increased substantially in the last two years. The rate has increased from an annual charge of 12 cents per $100 of deposits in 1990 to 23 cents per $100 of deposits for the first half of 1992. The rate is expected to increase further to 30 cents during the latter part of 1992, likely effective for 1993. The premiums in terms of dollars of expense increased from $135,000 for the first quarter of 1991 to $179,000 for the same period in 1992. Congress is considering both rate increases and a one time charge as possible means of replacing balances that have been depleted from the FDIC insurance fund.

The Financial Accounting Standards Board has issued a recent statement (FASB Statement No. 106) requiring employers to accrue an estimated liability for post retirement benefits other than pensions. The statement requires potential costs for such benefits to be charged to expense over the time benefits are earned and be fully accrued by the time of retirement. The statement will become effective for fiscal years beginning after December 15, 1992. The Company does not currently offer any such benefits that would result in significant expenses after the retirement of any employee.

(6) Income Taxes

Income taxes increased from $309,000 for the first quarter of 1991 to $480,000 for the same period in 1992, resulting in an increase of the effective tax rate from 28.5% in 1991 to 31.9% in 1992. The tax rate increase is a combination of increases in pretax income relative to tax-exempt income and reductions in tax-exempt income due to runoff of tax-exempt securities. The effective tax rate is expected to continue increasing as the above factors become more prominent.

C. Balance Sheet

	Three Months Ended March 31.		Difference	
(Average balances in thousands)	1992	1991	Amount	Percent
Investments and Cash Equivalents	$125,806	$112,042	$13,764	12.3%
Gross Loans	216,342	189,570	26,772	14.1%
Earning Assets	342,148	301,549	40,599	13.5%
Total Assets	373,883	328,707	45,176	13.7%
Deposits	335,665	287,412	48,253	16.8%
Interest Bearing Liabilities	301,294	260,689	40,605	15.6%

(1) Review of Average Balances

The growth reflected in the average balance increases is primarily attributed to the acquisition of loans and the assumption of deposits from the former First Federal of Fargo. The Company received approximately $17,400,000 in cash from the excess of deposits assumed compared to assets purchased. The cash received in the acquisition is the primary reason for the increase in investments and cash equivalent average balances of $13,764,000. Approximately $20,000,000 of the increase in average loan balances is associated with the acquisition of First Federal of Fargo. The remaining portion of the growth in loans has partially been a reflection of the economic growth in the region, and partially been a result of attaining a greater share of the consumer financing market.

The greatest potential for loan growth exists in the Fargo market, where the Company's market presence has been enhanced with the acquisition of First Federal of Fargo. Real estate mortgages had been the main focus of lending for the previous institution. The Company will expand the focus to include a full range of lending services. Loan growth in consumer financing is expected to continue in the Grand Forks area. Some potential exists for growth in real estate loans as the Company may retain more loans instead of selling them on the secondary market, as has been the practice in the recent two year period. Commercial and agricultural loans in the Grand Forks area have been stable with new loans representing replacement of runoff as existing loans payout. Management believes that potential growth for commercial and other loans will be most favorable in the Fargo and West Fargo market, where economic growth is expected to exceed the average growth of the region.

Approximately $37,000,000 of the increase in average deposit balances is associated with the acquisition of First Federal of Fargo. The remaining portion of the increase in deposits was caused primarily by the economic recovery of the region from below average farming conditions. The greatest potential for deposit growth is expected to be in the Fargo market, as the Company expands its services to a new base of customers. The Company has begun to expand its marketing efforts to more aggressively promote its products and services and expects to take advantage of marketplace growth opportunities in addition to seeking expansion of market share.

(2) Liquidity and Capital Management

On March 31, 1992, investment securities due within one year and Federal Funds sold totaled $30,322,000 or 8.9% of earning assets. This compares with $47,497,000 or 13.6% of earning assets reported at December 31, 1991. Management feels this liquidity is appropriate given its projections for future loan growth and expectations of seasonal deposit growth during the latter part of 1992.

Long term debt decreased from $3,226,000 at year end 1991 to $2,112,000 at March 31, 1992. The debt consists primarily of mortgage indebtedness on rental property owned by First National Realty, a wholly owned subsidiary of the Company. The balance of that debt at March 31, 1992 was $1,475,000. The remaining balance of long term debt is primarily funded by Norwest Bank Minnesota in the form of a five-year note subject to annual principal reduction. The Company continues to follow a strategy of making periodic reductions on corporate debt in an effort to payoff the indebtedness ahead of the scheduled maturity.

At March 31, 1992, shareholders' equity totaled $27,698,000 resulting in an equity capital to total assets ratio of 7.4%. The equity capital to total assets ratio at December 31, 1991 and March 31, 1991 was 6.9% and 7.6%, respectively.

The Company is monitoring its regulatory capital position under the risk based capital requirements, which took effect December, 1990. Under those guidelines, the Corporation is required to maintain a minimum tier one capital of 4%, and a total capital of 8% by the year 1992; a lower requirement is allowed for the two-year transition period which began in 1990. Tier one capital includes capital stock, surplus and retained earnings. Total capital includes tier one capital and other components identified as tier two capital, which includes items such as balances of the allowance for loan loss. The capital requirement percentages are calculated by dividing certain components of equity into risk weighted assets. Risk weighting of assets is specified by the guidelines and is calculated by applying certain percentage calculations to all balance sheet assets depending on the nature and risk of the asset structure. Currently, the Corporation's capital position exceeds those requirements, with both tier one capital and total capital in excess of the 8% minimum requirement. No difficulty in meeting the requirements in the future is expected. First National Corporation declared a first quarter cash dividend equal to $.13 as compared to $.12 for the same period in 1991.

FIRST NATIONAL CORPORATION
PART II - OTHER INFORMATION

ITEM 4 - Results of Votes of Security Holders

None

ITEM 6 - Exhibits and Reports on Form 8-K.

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST NATIONAL CORPORATION
(Registrant)

Date: May 13, 1992

Randy L. Newman

Randy L. Newman, Vice President
(Mr. Newman is the Principal Financial and Accounting Officer and has been duly authorized to sign on behalf of the registrant.)

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For quarter ended March 31, 1992 Commission File Number 33-24317

JORDAN INDUSTRIES, INC.
(Exact name of registrant as specified in charter)

Illinois (State or other jurisdiction of incorporation or organization)	36-3598114 (I.R.S. Employer Identification No.)
ArborLake Centre, Suite 300 1751 Lake Cook Road, Deerfield, Illinois (Address of Principal Executive Offices)	60015 (Zip Code)

Registrant's telephone number, including Area Code:
(708) 945-5591

Former name, former address and former fiscal year, if changed since last report: Not applicable

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past ninety (90) days.

Yes X No ___

The aggregate market value of voting stock held by non-affiliates of the Registrant is not determinable as such shares were privately placed and there is currently no public market for such shares.

The number of shares outstanding of Registrant's Common Stock as of May 15, 1992: 91,467.1618.

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FORM 10-Q QUARTERLY REPORT

JORDAN INDUSTRIES, INC.

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JORDAN INDUSTRIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(ALL DOLLAR AMOUNTS IN THOUSANDS)

	March 31, 1992 (unaudited)	December 31, 1991
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 4,206	$ 12,000
Accounts receivable - net	37,777	43,169
Inventories	56,079	53,594
Prepaid expenses and other current assets	5,043	3,789
Total Current Assets	103,105	112,552
Property, plant and equipment - net	51,310	52,372
Notes receivable from affiliates	10,925	9,810
Goodwill - net	60,032	59,438
Other assets	43,719	35,970
Total Assets	$269,091	$270,142
LIABILITIES AND NET CAPITAL DEFICIENCY		
Current Liabilities:		
Accounts payable	$ 15,468	$16,743
Accrued liabilities	17,013	10,234
Other current liabilities	6,297	1,858
Current portion of long-term debt	6,178	5,669
Total Current Liabilities	44,956	34,504
Long-term debt	254,857	268,877
Other non-current liabilities	11,796	3,844
Deferred income taxes	7,470	7,670
Minority interest and other	2,126	3,223
Net Capital Deficiency:		
Common stock	1	1
Additional paid-in capital	2,754	879
Accumulated deficit	(54,869)	(48,856)
Total Net Capital Deficiency	(52,114)	(47,976)
Total Liabilities and Net Capital Deficiency	$269,091	$270,142

See accompanying notes to condensed consolidated financial statements.

JORDAN INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(ALL DOLLAR AMOUNTS IN THOUSANDS)

	THREE MONTHS ENDED March 31,	
	1992	1991
Net sales	$67,371	$59,119
Cost of sales, excluding depreciation	42,182	38,186
Selling, general and administrative expenses	16,521	14,370
Operating income before depreciation and amortization of goodwill and other intangibles	8,668	6,563
Depreciation	2,196	1,785
Amortization of goodwill and other intangibles	2,061	2,826
Operating income	4,411	1,952
Other (income) and expenses:		
Interest expense	9,421	9,952
Interest income	(173)	(502)
Interest income from affiliates	(104)	(10)
Management fees and other	466	410
Total other (income) and expenses	9,610	9,850
Loss before income taxes and minority interest	(5,199)	(7,898)
Provision (benefit) for income taxes	579	(500)
Loss before minority interest	(5,778)	(7,398)
Minority interest	(12)	101
Net loss	$(5,766)	$(7,499)

See accompanying notes to condensed consolidated financial statements.

JORDAN INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(ALL DOLLAR AMOUNTS IN THOUSANDS)

	THREE MONTHS ENDED March 31,	
	1992	1991
Cash flows from operating activities:		
Net loss	$(5,766)	$(7,499)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	4,759	5,084
Benefit from deferred income taxes	(200)	(1,092)
Minority interest	(12)	101
Changes in operating assets and liabilities net of effects from acquisitions:		
Decrease in current assets	1,653	4,302
Increase in current liabilities	8,414	6,699
Net cash provided by operating activities	8,848	7,595
Cash flows from investing activities:		
Capital expenditures	(1,286)	(1,217)
Notes receivable from affiliates	(1,115)	(300)
Acquisition of minority interest and other	(300)	(962)
Net cash used by investing activities	(2,701)	(2,479)
Cash flows from financing activities:		
Repayment of long-term debt	(13,592)	(1,022)
Other	(349)	(353)
Net cash used by financing activities	(13,941)	(1,375)
Net increase (decrease) in cash and cash equivalents	(7,794)	3,741
Cash and cash equivalents at beginning of period	12,000	25,804
Cash and cash equivalents at end of period	$ 4,206	$29,545

See accompanying notes to condensed consolidated financial statements.

JORDAN INDUSTRIES, INC.
Notes to Condensed Consolidated Financial Statements
(unaudited)
(All Dollar Amounts in Thousands)

A. Organization

The unaudited condensed consolidated financial statements, which reflect all adjustments that management believes necessary to present fairly the results of interim operations, should be read in conjunction with the Notes to the Consolidated Financial Statements (including the Summary of Significant Accounting Policies) included in the Company's audited consolidated financial statements for the year ended December 31, 1991, which are included in the Company's Annual Report filed on Form 10-K for such year (the "1991 10-K"). Results of operations for the interim periods are not necessarily indicative of annual results of operations.

B. Inventories

Inventories are summarized as follows:

	March 31, 1992	December 31, 1991
Raw materials	$12,068	$11,760
Work in process	7,849	6,347
Finished goods	36,162	35,487
	$56,079	$53,594

C. Notes Receivable from Affiliates

At March 31, 1992 the Company had notes receivable from Cape Craftsmen, Inc. and Wintermute Industries, Inc., companies that are both controlled by the partners, principals, employees and affiliates of The Jordan Company, of $10,925.

D. Accounting for Income Taxes

The tax benefit for the first quarter of 1991 has been restated to more accurately reflect the effective rate for the full year ended December 31, 1991.

E. Significant Event

In March 1992, a subsidiary of the Company entered into an agreement with its minority shareholders whereby the shareholders would exchange their common stock for preferred stock. One-half of the preferred shares will be redeemed on April 1, 1993, for approximately $1.9 million. This amount has been recorded as a non-current liability. An additional $1.9 million, representing the remaining one-half of the preferred shares, has been recorded as additional paid-in capital. As a result of this transaction, the subsidiary will be included in the Company's consolidated federal tax return in the current year.

Separately, the subsidiary and the minority shareholders entered into agreements whereby the subsidiary agreed to make certain non-compete payments to these shareholders in future years. Accordingly, an intangible asset and liability was recorded for approximately $9.0 million. The asset will be amortized through 1999.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(All Dollar Amounts in Thousands)

The following discussion should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the 1991 10-K and the financial statements and the related notes thereto which are included elsewhere in this quarterly report.

Results of Operations

Summarized below are the net sales, operating income (loss) before depreciation and amortization of goodwill and other intangibles ("EBITDA") and EBITDA margins (as defined) for each of the Company's business segments for the first quarter ended March 31, 1992 and 1991. This discussion reviews the foregoing segment data and certain of the consolidated financial data for the Company.

	Quarter ended March 31,	
	1992	1991
Net Sales:		
Consumer Products	$30,886	$21,759
Industrial Products and Equipment	26,363	26,175
Specialty Advertising and Calendars	10,122	11,185
Total	$67,371	$59,119
EBITDA:		
Consumer Products	$ 3,510	$ 2,463
Industrial Products and Equipment	6,309	5,770
Specialty Advertising and Calendars	(263)	(440)
Total(a)	$ 9,556	$ 7,793
EBITDA Margins (b):		
Consumer Products	11.4%	11.3%
Industrial Products and Equipment	23.9	22.0
Specialty Advertising and Calendars	(2.6)	(3.9)
Consolidated(a)	14.2	13.2

(a) Before corporate overhead.
(b) EBITDA margin is EBITDA divided by net sales.

Consumer Products. As of March 31, 1992, the Consumer Products segment consists of Sate-Lite, DACCO, Riverside and Welcome Home. Welcome Home was acquired at the end of March 1991, and was not reflected in the results of operations for the three months ended March 31, 1991.

First quarter net sales increased $9.1 million or 41.9% compared to 1991. Without the Welcome Home acquisition, net sales increased $3.5 million or 16.1%. The increase was due to increased sales in rebuilt converters at DACCO, domestic bicycle reflectors at Sate-Lite, and self-help books and bibles at Riverside.

First quarter EBITDA increased $1.0 million or 42.5% compared to 1991. Without the Welcome Home acquisition, EBITDA increased $1.7 million or 69.8%. DACCO, Riverside and Sate-Lite all experienced EBITDA increases due to their increased sales. The EBITDA margin for the segment increased slightly.

Industrial Products and Equipment. The Industrial Products and Equipment segment consists of Parsons, Dura-Line, Imperial, Scott, Gear, Hudson, AIM and Cambridge.

First quarter net sales increased slightly compared to 1991. Increases in sales in permanent magnet motors at Imperial, electronic connectors at AIM, and furniture locks at Hudson, are partially offset by a decrease in machining services at Parsons.

First quarter EBITDA increased $.5 million or 9.3% compared to 1991. The increase was due to increased sales at AIM and Imperial. The EBITDA margin increased from 22.0% to 23.9%. This was due to lower operating expenses.

Specialty Advertising and Calendars. The Specialty Advertising and Calendars segment consists of JII/SPAI and Beemak.

First quarter net sales decreased $1.1 million or 9.5% compared to 1991. The decrease in calendars and school annual sales at JII/SPAI was partially offset by an increase in their ad-specialty business. The decrease in calendar sales was the result of efficient production planning.

First quarter EBITDA increased $.2 million or 40.2% compared to 1991. This was due to improved margins at JII/SPAI and Beemak. Accordingly, the EBITDA margin increased from (3.9%) to (2.6%).

Consolidated Results: (See Condensed Consolidated Statements of Operations.) First quarter operating income more than doubled compared to 1991 due to the increase in sales and improved margins. First quarter interest expense decreased from $10.0 million to $9.4 million due to lower debt levels and lower interest rates. First quarter interest income decreased from $.5 million to $.2 million due to lower cash balances and lower interest rates. Primarily as a result of higher operating income and lower interest expense, partially offset by lower interest income, the Company incurred a net loss of $5.8 million in the first quarter of 1992 as compared to a net loss of $7.5 million in 1991.

Liquidity and Capital Resources. The Company had $58.1 million of working capital at March 31, 1992, compared to $78.0 million at the end of 1991. The decrease in working capital was due to a $12.0 million paydown on the Revolving Credit Facility, lower accounts receivable due to seasonal collections at JII/SPAI and Riverside, higher other current liabilities as a result of advance deposits on calendars at JII/SPAI and the transaction described in Note E, three months of accrued interest on the Senior Subordinated Notes and an increase to current portion of long-term debt for the Revolving Credit Facility, offset by higher inventories due to a seasonal increase at JII/SPAI and a special inventory purchase at Riverside.

The Company is, and expects to continue to be, in compliance with the provisions of the Indenture and the Revolving Credit Facility.

None of the subsidiaries require significant amounts of capital spending to sustain its current operations or to achieve projected growth.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings
None

Item 2. Changes in Securities
None

Item 3. Defaults upon Senior Securities
None

Item 4. Submission of Matters to a Vote of Security Holders
None

Item 5. Other Information
None

Item 6. Exhibits and Reports on Form 8-K
None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

JORDAN INDUSTRIES, INC.

May 15, 1992

By______________________________
Joseph S. Secker
Vice President, Finance,
Principal Accounting Officer

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

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For Quarter Ended March 31, 1992

Commission File No. 0-1322

KNICKERBOCKER VILLAGE, INC.
(Exact name of registrant as specified in its Charter)

NEW YORK	13-0924285
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10 Monroe Street, New York, N.Y.	10002
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (212) 227-0955

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 14 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ___

The number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report is 147,464, $2.15 par value.

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FORM 10-Q

KNICKERBOCKER VILLAGE, INC.

BALANCE SHEETS

(UNAUDITED)

	AS AT	
ASSETS	MARCH 31, 1992	DECEMBER 31, 1991
CURRENT ASSETS:		
Cash	$ 6,347	$ 84,089
Accounts receivable (less allowances of $168,000 and $174,000, respectively)	241,017	260,211
Interest and other receivables	19,975	13,874
Prepaid expenses and other current assets	1,252,555	1,310,845
	1,519,894	1,669,019
SPECIAL FUNDS AND DEPOSITS:		
Funds for replacements, painting and decorating	780,801	818,459
Tenants' security deposits - contra	519,396	509,747
	1,300,197	1,328,206
FIXED ASSETS, AT COST		
Land	3,273,281	3,273,281
Buildings and building equipment	12,427,814	12,412,554
	15,701,095	15,685,835
Less: Accumulated depreciation	8,818,770	8,731,958
NET FIXED ASSETS	6,882,325	6,953,877
OTHER ASSETS	88,103	90,224
TOTAL ASSETS	$ 9,790,519	$ 10,041,326

FORM 10-Q

KNICKERBOCKER VILLAGE, INC.

BALANCE SHEETS

(UNAUDITED)

LIABILITIES AND STOCKHOLDERS' EQUITY	AS AT MARCH 31, 1992	AS AT DECEMBER 31, 1991
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 976,203	$ 1,248,037
Unearned rent income	49,367	56,579
Dividends payable	19,023	19,023
Current portion of mortgage payable	103,000	74,807
Federal income taxes payable	28,000	14,000
Deferred income taxes payable	8,800	20,000
TOTAL CURRENT LIABILITIES	1,184,393	1,432,446
TENANTS' SECURITY DEPOSITS - CONTRA	519,396	509,747
LONG-TERM DEBT:		
Mortgage payable, less current portion	6,520,157	6,573,280
	8,223,946	8,515,473
STOCKHOLDERS' EQUITY:		
Limited dividend capital stock, par value $2.15 per share, authorized-348,837 shares issued and outstanding - 147,464 shares	317,048	317,048
Retained earnings	1,249,525	1,208,805
TOTAL STOCKHOLDERS' EQUITY	1,566,573	1,525,853
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 9,790,519	$ 10,041,326

FORM 10-Q

KNICKERBOCKER VILLAGE, INC.

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

FOR THE THREE MONTHS ENDED MARCH 31,

(UNAUDITED)

	1992	1991
Revenues:		
Rentals - Net	$ 2,098,393	$ 2,049,261
Interest and other income	10,931	15,418
	2,109,324	2,064,679
Expenses:		
Wages and related costs	477,284	448,178
Real estate taxes	199,141	186,407
Utilities	380,532	383,737
Maintenance, repairs and decorating	265,905	209,020
Depreciation and amortization	88,932	87,295
Interest	170,268	170,221
Miscellaneous operating and general expenses	260,765	316,543
Management fees	201,223	188,601
	2,044,050	1,990,002
Income before income taxes and extraordinary credit	65,274	74,677
Taxes on income	24,554	33,203
Income before extraordinary credit	40,720	41,474
Extraordinary credit- utilization of net operating loss carryfoward	0	20,200
Net Income	40,720	61,674
Retained earnings at beginning of period	1,208,805	992,671
Retained earnings at end of period	$ 1,249,525	$ 1,054,345
Net income per share:		
Before extraordinary item	$ 0.28	$ 0.28
Extraordinary item	0.00	0.14
	$ 0.28	$ 0.42
Average number of shares outstanding during the period	147,464	147,464

FORM 10-Q

KNICKERBOCKER VILLAGE, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE STATEMENT OF OPERATIONS

MARCH 31, 1992

(UNAUDITED)

1. Rental income increased as compared to 1991 due to an increase in laundry income.

2. Maintenance, repairs and decorating increased as compared to 1991 due to increases in maintenance payroll, structural repairs, and painting.

3. Other operating expenses decreased as compared to 1991 primarily due to decreases in professional services and collection losses.

4. Management fees increased as compared to 1991 due to an increase in the management contract for the period of July 1, 1991 through June 30, 1992 which was approved by the New York State Division of Housing and Community Renewal.

FORM 10-Q

KNICKERBOCKER VILLAGE, INC.

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31,

(UNAUDITED)

	1992	1991
Cash flows from operating activities:		
Net income	$ 40,720	$ 61,674
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	88,932	87,295
Provision for (recovery of) bad debts	(6,249)	23,000
Deferred income taxes	(11,200)	0
Changes in assets (increase) decrease:		
Rents receivable	25,443	(25,074)
Other receivables	(6,101)	23,332
Prepaid expenses	58,290	(176,363)
Changes in liabilities increase (decrease):		
Accounts payable and accrued expenses	(271,834)	69,092
Unearned rental income	(7,212)	(21,605)
Federal income taxes payable	14,000	0
Net cash provided by (used in) operating activities	(75,211)	41,351
Cash flows from investing activities:		
Interest earned on reserve fund investments -Use of funds restricted, subject to DHCR approval	(9,376)	(13,697)
Capital expenditures	(15,260)	(10,172)
Contributions of cash from operations to reserve fund	(75,000)	(60,000)
Reimbursement of capital expenditures paid by housing company from replacement fund	15,260	17,910
Reimbursement of expenses paid by housing company from replacement fund	106,756	0
Reimbursement of prepaid expenses paid by housing company from replacement fund		0
Bank charges on replacement funds	20	20
Net cash provided by (used in) investing activities	22,400	(65,939)
Cash flows from financing activities:		
Payments on long-term debt	(24,930)	(22,567)
Net cash used in financing activities	(24,930)	(22,567)
Net decrease in cash	(77,741)	(47,155)
Cash at beginning of period	84,089	53,246
Cash at end of period	$ 6,348	$ 6,091
Supplemental disclosures of cash flow information:		
Cash paid during the periods for:		
Interest	$ 170,085	$ 170,033
Income taxes	18,549	6,059

PART II. OTHER INFORMATION

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ITEM 6. EXHIBITS AND REPORT ON FORM 8-K.

(a) Exhibits.

None.

(b) Reports on Form 8-K.

None.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KNICKERBOCKER VILLAGE, INC.:

Dated: May 12, 1992 By:
IRENE PLETKA,
President.

Dated: May 12, 1992 By:
ROBERT GERSHON,
Vice President.

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SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

(X) Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 1992

or

(   ) Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from __________ to __________

Commission File No. 0-6595

MANSION INDUSTRIES, INC.
(Exact name of Registrant as specified in its charter)

California
(State of or other jurisdiction of incorporation or organization)

95-2690479
(I.R.S. Employer Identification No.)

14711 East Clark Avenue, City of Industry, CA 91745
Mail to: P. O. Box 2220, City of Industry, CA 91746
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (818) 968-9501

None
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months or for such shorter period that the Registrant was required to file such reports and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No ______

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ndicate the number of shares outstanding of each of the ssuer's classes of common stock, as of the last practicable date.

May 1, 1992: 629,891 shares of Common Stock, $.167 par value

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PART I. FINANCIAL INFORMATION

MANSION INDUSTRIES, INC.
BALANCE SHEETS

	Current Quarter 3/31/92 (unaudited)	Fiscal Year-End 6/30/91
ASSETS		
Current assets:		
Cash	$ 11,000	$ 33,000
Accounts receivable, pledged	1,051,000	721,000
Inventories, pledged	1,377,000	1,339,000
Prepaid expenses and other assets	94,000	80,000
Total current assets	2,533,000	2,173,000
Plant and equipment, at cost less accumulated depreciation and amortization, pledged	244,000	265,000
Investment in PYRAMOD project	265,000	309,000
Other	172,000	155,000
	$3,214,000	$2,902,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable to bank	$1,313,000	$1,020,000
Notes payable to related parties	377,000	377,000
Accounts payable	537,000	443,000
Accrued liabilities	329,000	230,000
Long-term debt due within one year	13,000	27,000
Total current liabilities	2,569,000	2,097,000
Long-term debt due after one year	10,000	20,000
Stockholders' equity:		
Preferred stock, no par value, 10,000 shares authorized, none issued	-	-
Common stock, $.167 par value, 1,000,000 shares authorized, 629,891 issued and outstanding	105,000	105,000
Additional paid-in capital	912,000	912,000
Accumulated deficit	(382,000)	(232,000)
Total stockholders' equity	635,000	785,000
	$3,214,000	$2,902,000

See accompanying notes.

MANSION INDUSTRIES, INC.

STATEMENTS OF OPERATIONS
(unaudited)

	For the Quarter Ended March 31,		For Nine Months Ended March 31,	
	1992	1991	1992	1991
Net sales	$1,719,000	$1,731,000	$4,660,000	$5,176,000
Costs and expenses:				
Cost of sales	1,030,000	1,000,000	2,732,000	2,962,000
Selling, general and administrative	676,000	681,000	1,852,000	1,982,000
	1,706,000	1,681,000	4,584,000	4,944,000
Profit from California division	13,000	50,000	76,000	232,000
Interest	36,000	46,000	115,000	154,000
Expenses of PYRAMID™ division	34,000	39,000	111,000	169,000
	70,000	85,000	226,000	323,000
Loss before taxes	(57,000)	(35,000)	(150,000)	(91,000)
Provision for taxes	0	0	0	0
Net loss	$ (57,000)	$ (35,000)	$ (150,000)	$ (91,000)
Net loss per share of common stock	$ (.09)	$ (.06)	$ (.24)	$ (.14)
Shares outstanding during periods	629,891	629,891	629,891	629,891

See accompanying notes.

MANSION INDUSTRIES, INC.

Statements of Cash Flows
(unaudited)

	For the Periods Ended March 31, 1992	For the Periods Ended March 31, 1991
Cash flows from operating activities:		
Net loss	$ (150,000)	$ (91,000)
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	55,000	59,000
Amortization of Investment in PYRAMID project	44,000	-
Changes in assets and liabilities:		
(Increase) in accounts receivable, net	(330,000)	(100,000)
(Increase) decrease in inventories	(38,000)	268,000
(Increase) in prepaid expenses and other current assets	(14,000)	(53,000)
(Increase) decrease in other assets	(17,000)	22,000
Increase (decrease) in accounts payable	94,000	(71,000)
Increase in accrued liabilities	99,000	32,000
Net cash provided by (used in) operating activities	(257,000)	66,000
Net cash used in investing activities:		
Purchase of equipment	(34,000)	(16,000)
Cash flows from financing activities:		
Net borrowings (payments) of notes payable to bank	293,000	(12,000)
Additions to notes payable-related parties	-	7,000
Payments of long-term debt	(24,000)	(63,000)
Net cash provided by (used in) financing activities	269,000	(68,000)
Net decrease in cash	(22,000)	(18,000)
Cash at beginning of year	33,000	23,000
Cash at end of quarter	$ 11,000	$ 5,000

See accompanying notes.

MANSION INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

1. The accompanying unaudited financial statements include all adjustments which are in the opinion of management necessary to a fair statement of the results for the interim periods herein reported. These unaudited financial statements should be read in conjunction with the financial statements included in the 1991 Annual Report to Stockholders.

2. The results of operations for the nine months ended March 31, 1992 are not necessarily indicative of results of operations for the year ending June 30, 1992. Accounting measurements at interim dates inherently involve greater imprecision than at year-end, which is due, in part, to increased reliance on the use of estimates at interim dates.

3.

	3/31/92	6/30/91
-Accounts receivable allowance for doubtful accounts	$ 12,000	$ 12,000
-Inventories: Raw materials	$ 609,000	$ 424,000
Finished goods	768,000	915,000
	$1,377,000	$1,339,000
-Plant and equipment consists of the following:		
Machinery, equipment and fixtures	$1,113,000	$1,092,000
Data processing and office equipment	322,000	374,000
Leasehold improvements	187,000	248,000
	1,622,000	1,714,000
Less accumulated depreciation and amortization	1,378,000	1,449,000
	$ 244,000	$ 265,000

4. No dividends were paid.

PART I. FINANCIAL INFORMATION

Item 2. Management's Analysis of Financial Condition and Results of Operations

Results of Operations

Current net sales decreased 10% year-to-date and 1% current quarter compared to the same periods of the prior fiscal year. The recession has continued to depress sales both to the new construction and to the retail do-it-yourself markets. Customers continue to be cautious regarding inventory investment and competitive pressures continue in all product lines.

Cost of goods sold as a percent of sales was 58.6% for the current year-to-date period compared to 57.2% for the same period of the prior year and 59.9% for the current quarter compared to 57.8% for the same period of the prior year. These increases are attributable to the inflationary cost increases occurring during the periods and to product mix profitability differences between the periods. In addition, during the current quarter period, reduced production levels resulted in a modest amount of unabsorbed manufacturing overhead expense. Selling, general and administrative expenses as a percent of sales for the current year- to-date period were 39.7% compared to 38.3% for the same period of the prior year and 39.3% for the current quarters of both periods. In January 1992 the Company completed the relocation of its offices and warehousing activities into facilities which have resulted in both reduced expense and improved efficiency. The costs of this relocation were expensed in the current periods.

Interest expense declined $39,000 for the current year-to-date period and $10,000 for the current quarter compared to the same periods of the prior year as a result of a decline in the average level of borrowing by the Company and particularly a decline in the prime rate to which all Company borrowings are tied.

Expenses of the PYRAMOD™ division declined $58,000 for the current year-to-date period and $5,000 for the current quarter compared to the same periods of the prior year. In the prior year periods the Company had incurred extensive architectural and construction consulting expenses which were not incurred during the current periods.

Further, in the current year the Company amortized $45,000 year-to-date and $15,000 current quarter of its Investment in PYRAMOD Project as compared to no amortization expense during the prior year period.

Liquidity and capital resources

The company continues to be dependent upon short-term borrowings.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned duly authorized.

MANSION INDUSTRIES, INC.
(Registrant)

DATE: May 11, 1992

Robert B. Glassco, President

DATE: May 11, 1992

Gary M. Piper, Executive Vice-
President, Treasurer and
Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

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FORM 10-Q

[X]QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

[ ]TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

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For the transition period from

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Commission File Number 0-6324

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NATIONAL BANCSHARES CORPORATION OF
(Exact Name of Registrant as Specified in its Charter)

Texas	**74-1692337**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
85 N. E. Loop 410, Suite 200 **San Antonio,TX**	**78216**
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number including area code)
(512) 340-4973

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report(s), and(2) has been subject to such filing requirements for the past 90 days.

Yes ✓ No

As of March 31, 1992, there were 11,869,516 shares of the registrant's Common Stock outstanding.

PART I
Financial Information

Item 1. - Financial Statements

NATIONAL BANCSHARES CORPORATION OF TEXAS AND SUBSIDIARIES
FINANCIAL HIGHLIGHTS
(Dollars in Thousands, Except Per Share Amounts)
(Unaudited)

	1992	1991
Three Months Ended March 31:		
Net income(loss)........................	$ (22)	$ 368
Earnings(loss)per share-primary.........	(.00)	.03
Earnings(loss)per share-fully diluted..	(.00)	.03
Average assets..........................	207,128	255,926
Average loans, net of discounts.........	105,780	153,321
Average deposits........................	189,554	237,694
At March 31:		
Assets..................................	$ 206,472	$ 256,060
Loans, net of discounts.................	102,578	144,543
Deposits................................	188,819	237,526
10% Convertible Subordinated Debentures	25,000	25,000
Other borrowings........................	7,554	7,544
Shareholders' deficit...................	(20,092)	(18,213)
Number of shares outstanding............	11,869,516	11,869,516
Shareholders' deficit per share.........	$ (1.69)	$ (1.53)

Transfer Agent
NationsBank of Texas

NATIONAL BANCSHARES CORPORATION OF TEXAS AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands, Except Per Share Amounts)
(Unaudited)

	March 31		Dec 31
	1992	1991	1991
Assets:			
Cash and due from banks	$ 10,059	$ 11,438	$ 12,952
Federal funds sold	12,600	30,975	12,275
Total cash and cash equivalents	22,659	42,413	25,227
Time deposits with banks	1,360	384	1,458
Investment securities	74,974	66,161	68,866
Loans	105,979	151,866	112,327
Unearned discounts	(3,401)	(7,323)	(4,067)
Loans, net of unearned discounts	102,578	144,543	108,260
Allowance for possible credit losses	(7,061)	(9,859)	(7,155)
Net loans	95,517	134,684	101,105
Bank premises and equipment, net	4,018	4,360	4,039
Repossessed assets, net	5,577	5,238	5,253
Other assets	2,367	2,820	2,072
	$ 206,472	$ 256,060	$ 208,020
Liabilities and Shareholders' Deficit:			
Deposits:			
Noninterest-bearing	$ 26,258	$ 28,518	$ 28,600
Interest bearing	162,561	209,008	161,779
Total deposits	188,819	237,526	190,379
Accrued pension cost	472	---	472
Other liabilities	2,370	2,294	2,467
Total liabilities	191,661	239,820	193,318
Liabilities deferred pursuant to Chapter 11 reorganization proceeding	34,903	34,453	34,772
Shareholders' deficit:			
Common stock of $5 par value; authorized 20,000,000 shares; issued 11,869,516 shares at March 31, 1992, December 31, 1991 and March 31, 1991	59,347	59,347	59,347
Surplus	55,916	55,916	55,916
Deficit	(135,355)	(133,476)	(135,333)
Total shareholders' deficit	(20,092)	(18,213)	(20,070)
	$ 206,472	$ 256,060	$ 208,020

See accompanying notes to consolidated financial statements

NATIONAL BANCSHARES CORPORATION OF TEXAS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended March 31	
	1992	1991
Interest Income:		
Loans	$ 2,721	$ 4,514
Time deposits with banks	21	3
Federal funds sold	125	330
Investment securities:		
Taxable	1,176	1,058
Tax-exempt	16	40
Total interest income	4,059	5,945
Interest Expense:		
Deposits	1,643	3,268
10% Convertible Sub.Debentures	---	---
Other borrowings	131	130
Total interest expense	1,774	3,398
Net interest income	2,285	2,547
Provision for possible credit losses	173	425
Net interest income(expense)after provision for possible credit losses	2,112	2,122
Noninterest Income:		
Trust income	(6)	6
Service charges on deposits	328	311
Other service charges	85	124
Gain/(loss)on investment securities	---	68
Other	66	11
Total noninterest income	473	520
Noninterest Expenses:		
Salaries and benefits	1,062	1,237
Net occupancy	160	185
Equipment	98	83
Net expenses related to repossessed assets	17	59
Other	1,270	710
Total noninterest expenses	2,607	2,274
Income(loss)before taxes	(22)	368
Income tax expense (benefit)	---	---
Net income (loss)	$ (22)	$ 368
Per Share:		
Earnings(loss)-primary	$ (.00)	$ .03
Earnings(loss)-fully diluted	(.00)	.03

See accompanying notes to consolidated financial statements.

NATIONAL BANCSHARES CORPORATION OF TEXAS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(Dollars in Thousands)
(Unaudited)

	Common Stock	Surplus	Deficit	Total
Balance at January 1, 1991...	$59,347	$55,916	$(133,844)	$ (18,581)
Net income.................	---	---	(1,489)	(1,489)
Balance at December 31, 1991	59,347	55,916	(135,333)	(20,070)
Net income(loss)...........	---	---	(22)	(22)
Balance at March 31, 1992	$59,347	$55,916	$(135,355)	$(20,092)

See accompanying notes to consolidated financial statements.

NATIONAL BANCSHARES CORPORATION OF TEXAS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)
(Unaudited)

	Three Months Ended March 31	
	1992	1991
Operating Activities:		
Net income (loss)............................	$ (22)	$ 368
Adjustments to reconcile net income(loss)to net cash used by operating activities:		
Gainon sales of investment securities.......	---	(68)
Security premium amortization, net of accretion..............................	123	(367)
Provision for possible credit losses.........	173	425
Depreciation on premises and equipment......	78	78
Valuation adjustments on repossessed assets.	22	10
Gain on sales of repossessed assets.........	(60)	(32)
Increase in other assets....................	(322)	(257)
Increase(decrease) in other liabilities.....	36	(33)
Net cash (provided) by operations............	28	124
Investing Activities:		
(Increase) in time deposits..................	98	(384)
Proceeds from paydown or maturity of investment securities.......................	5,370	23,587
Proceeds from sales of investment securities..	---	17,418
Purchases of investment securities............	(11,574)	(58,005)
Decrease in loans.............................	3,817	15,163
Purchases of premises and equipment...........	(57)	(92)
Sales of repossessed assets...................	1,312	1,596
Net cash (used) by investing activities.................	(1,034)	(717)
Financing Activities:		
Increase in transaction accounts..............	926	6,327
(Decrease) in certificates of deposit.........	(2,488)	(7,146)
Net cash used by financing activities.....	(1,562)	(819)
Net decrease in cash and cash equivalents.....	(2,568)	(1,412)
Cash and cash equivalents at beginning of period....................................	25,227	43,825
Cash and cash equivalents at end of period....	$ 22,659	$ 42,413
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest expense................	$ 1,647	$ 3,207
Cash received for income taxes................	---	---

See accompanying notes to consolidated financial statements.

NATIONAL BANCSHARES CORPORATION OF TEXAS

Notes to Consolidated Financial Statements

Basis of Presentation

The accounting and reporting policies of National Bancshares Corporation of Texas and Subsidiaries (the "Corporation" or "NBC") conform with generally accepted accounting principles and with general practices within the banking industry.

The accompanying consolidated financial statements have not been audited by independent certified public accountants, but in the view of management contain all adjustments (which are of a normal recurring nature) necessary for a fair presentation of the NBC's financial position and results of operations.

The significant accounting policies used by the Corporation in preparation of its quarterly financial statements included in this report are consistent with those policies followed on an annual basis. These policies are presented in the 1991 Annual Report on Form 10-K.

The accompanying consolidated financial statements include the accounts of the parent company and all subsidiaries. However, all significant intercompany balances and transactions have been eliminated in consolidation. Certain items in the consolidated financial statements of the previous year have been reclassified in conformity with the 1991 presentation. These reclassifications had no effect on total assets, liabilities or reported results of operations.

On June 1, 1990, the Office of the Comptroller of the Currency (the "OCC"), declared nine of the Corporation's twelve subsidiary banks insolvent and appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver for each of the Closed Banks. Because of the closing of the nine insolvent banks ("Closed Banks"), the Corporation is treated for purposes of financial reporting as having lost control of the Closed Banks on June 1, 1990.

Current Status of the Corporation

National Bancshares Corporation of Texas (the "Corporation") is a debtor-in-possession seeking to undergo a reorganization pursuant to a confirmed Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") in a proceeding, Case No. 90-51814K-11, that is pending before the United States Bankruptcy Court for the Western District of Texas, San Antonio Division ("Bankruptcy Court").

As previously disclosed, the institution of the Chapter 11 case, filed on June 8, 1990, resulted principally from the termination of the proposed "open bank" recapitalization involving the FDIC and the closing by federal banking regulators June 1, 1990 of nine of the Corporation's twelve banking subsidiaries ("Closed Banks").

The Corporation's principal assets at March 31, 1992 consisted of all of the outstanding capital stock of two national banking associations, NBC Bank-Eagle Pass, N.A. ("Eagle Pass") and NBC Bank-Laredo, N.A. ("Laredo"), and one state banking association, NBC Bank-Rockdale ("Rockdale") (collectively "member banks," "subsidiary banks," or "subsidiaries"). These subsidiaries are not parties to the Chapter 11 proceeding.

The Corporation engages in commercial and consumer banking services and trust services through the subsidiary banks and continues to operate its business and manage its properties as a debtor-in-possession. As of March 31, 1992, Eagle Pass failed to meet certain regulatory capital requirements. For a discussion of the regulatory capital of all the member banks, see Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital Resources.

As of March 31, 1992, the following banking subsidiaries had total assets, total loans and total deposits as follows:

	Total Assets	Total Loans	Total Deposits
NBC Bank-Eagle Pass, N.A.	$ 109,269	63,234	105,908
NBC Bank-Laredo, N.A.	40,901	21,478	35,520
NBC Bank-Rockdale	51,280	17,865	47,391

The Corporation is operating these banking subsidiaries through the Chapter 11 proceeding, subject to the conditional waiver by the FDIC of its so-called "cross-guaranty" powers under Section 206 of the Financial Institution Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), as provided under the confirmed Plan of Reorganization. On April 14, 1992, the FDIC issued an order conditionally granting approval for waiver of cross-guaranty for each of the subsidiary banks. The FDIC's waiver of the cross-guaranty powers is conditioned generally on the consummation of the provisions of the confirmed plan of reorganization, discussed below. The reorganized Corporation will continue to operate Eagle Pass and Laredo and will undertake efforts to sell Rockdale in an effort to generate sufficient cash to provide for the payment of its creditors.

As previously disclosed, the Corporation filed with the Bankruptcy Court the Second Amended Joint Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code proposed by National Bancshares Corporation of Texas and the Statutory Committee of Unsecured Creditors ("Second Amended Plan of Reorganization") together with the First Amended Disclosure Statement with respect to the Second Amended Joint Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code proposed by National Bancshares Corporation of Texas and the Statutory Committee of Unsecured Creditors ("Disclosure Statement"). As previously disclosed, the Second Amended Plan of Reorganization provides for the reorganized Corporation to fund certain capital contributions to Eagle Pass totalling approximately $3 million. In addition, the Second Amended Plan of Reorganization provides for the payment of administrative claims and allowed priority claims in cash in full. Any tax claims will be paid in full through deferred cash payments over a six-year period under the Second Amended Plan of Reorganization. Under the Plan of Reorganization, holder of the Team Bank claim will receive approximately $1.5 million plus interest representing the amount of a post-petition dividend paid by Laredo to the Corporation ("Laredo Dividend") and a note in an amount equal to $5,173,000 less the amount of the Laredo Dividend, which note will be secured by an interest in the stock of Laredo, Eagle Pass and Rockdale. In addition, in satisfaction of its claim, the FDIC will receive under the Second Amended Plan of Reorganization (i) a $3 million note, (ii) an assignment of the rights of the Corporation to assert certain claims against Equimark arising from the 1990 proposed "open bank" assistance transaction, (iii) a release from certain claims of the Corporation related to the FDIC's action prior to the commencement of the Chapter 11 case, and (iv) a contingent right to receive a $1.5 million note in the future. The Corporation's obligations to the FDIC will be secured by a second lien on the capital stock of Laredo, Eagle Pass and Rockdale and the Corporation's real estate. Under the Second Amended Plan of Reorganization, holders of senior debentures of the Corporation will receive 100% of the preferred stock of the reorganized Corporation with an aggregate liquidation amount equal to the face amount of such claims. Holders of the Corporation's 10% Convertible Subordinated Debentures due 2006 and general unsecured creditors will receive a pro rata distribution of 100% of the common stock of reorganized Corporation. In addition, the Corporation's outstanding common stock will be cancelled and holders will receive nothing under the Second Amended Plan of Reorganization.

As also previously disclosed, on February 6, 1992, the Bankruptcy Court approved the Disclosure Statement for mailing to all creditors entitled to vote on the Second Amended Plan of Reorganization. On or before February 28, 1992, the Corporation caused a copy of the Disclosure Statement, the Second Amended Plan of Reorganization, a ballot or master ballot, and all exhibits relating thereto to be mailed to all creditors and other parties in interest.

In April 1992, the Corporation and its Statutory Committee of Unsecured Creditors ("Creditors' Committee") (collectively "Plan Proponents") made certain minor amendments to the Second Amended Plan of Reorganization. These amendments added certain voting, redemption, and conversion rights to the preferred stock, which is to be issued by the Corporation to the holders of the senior unsecured claims against the Corporation. These amendments were approved by the Bankruptcy Court pursuant to the applicable provisions of the Bankruptcy Code and rules thereunder (thereafter the Second Amended Plan of Reorganization became the "Third Amended Plan of Reorganization").

On April 16, 1992, the Bankruptcy Court conducted a hearing on the Third Amended Plan of Reorganization. After consideration of objections to confirmation and upon record of confirmation hearing and all evidence adduced and arguments of counsel made at the confirmation hearing, the Bankruptcy Court confirmed the Third Amended Plan of Reorganization in accordance with the applicable provisions of the Bankruptcy Code. The Bankruptcy Court found, among other things, that the third Amended Plan of Reorganization satisfied the "best interests" test, namely that each holder of a claim or equity interest entitled to vote had accepted the Third Amended Plan of Reorganization or will receive or retain under the Third Amended Plan of Reorganization property of a value, as of the effective date of the Third Amended Plan of Reorganization, that is not less than the amount that such holder would receive or retain if the Corporation were liquidated under Chapter 7 of the Bankruptcy Code. The Bankruptcy Court further found, among other things, that each impaired class of claims entitled to vote had accepted the Third Amended Plan of Reorganization and that the Third Amended Plan of Reorganization does not discriminate unfairly and is "fair and equitable" with respect to the common shareholder interests that are impaired thereunder and deemed to have rejected the Third Amended Plan of Reorganization. Based on the evidence presented, the Bankruptcy Court found that the Third Amended Plan of Reorganization is "feasible;" that is the Third Amended Plan of Reorganization offers a reasonable prospect of success and that confirmation of the Third Amended Plan of Reorganization is not likely to be followed by the liquidation or the need for further financial reorganization of the Corporation. Finally, the Bankruptcy Court found, among other things, that the Third Amended Plan of Reorganization complies with all other applicable provisions of the Bankruptcy Code, that the Corporation and the Creditors' Committee as joint Plan Proponents have complied with the applicable provisions of the Bankruptcy Code and that the Third Amended Plan of Reorganization was proposed in good faith and not by any means forbidden by law.

Generally, under the Bankruptcy Code, confirmation of the Third Amended Plan of Reorganization will have the following consequences. The provisions of the Third Amended Plan of Reorganization will be binding on the Corporation, any entity acquiring property thereunder, and all creditors and shareholders of the Corporation, whether or not the claim or interest of such creditors or shareholders is impaired under the Third Amended Plan of Reorganization and whether or not such creditors or shareholders accepted the Third Amended Plan of Reorganization. Additionally, except as otherwise provided in the Third Amended Plan of Reorganization or the confirmation order, the confirmation of the Third Amended Plan of Reorganization vests all of the property of the estate in the Corporation. Further, except as otherwise provided in the Third Amended Plan of Reorganization or the confirmation order, the property dealt with by the Third Amended Plan of Reorganization is generally free and clear of all claims and interests of creditors and shareholders after confirmation of the Third Amended Plan of Reorganization. Finally, except as otherwise provided in the Third Amended Plan of Reorganization or the confirmation order, confirmation of the Third Amended Plan of Reorganization (a) discharges the Corporation from any debt that arose before the date of such confirmation and certain other types of debt specified in the Bankruptcy Code whether or not (i) a proof of claim based on such debt is filed or deemed filed pursuant to the applicable provisions of the Bankruptcy Code and rules thereunder, (ii) such claim is allowed, or (iii) the holder of such claim has accepted the Third Amended Plan of Reorganization, and (b) terminates all rights and interests of shareholders provided for by the Third Amended Plan of Reorganization.

Unless an extension is agreed to by the major parties in interest, consummation of the Third Amended Plan of Reorganization is presently scheduled to occur on or before May 26, 1992.

The Bankruptcy Court has also determined that confirmation of the Third Amended Plan of Reorganization has rendered moot any consideration of the previously disclosed disclosure statement filed by Team Bank and that there is no basis for going forward with the competing plan of reorganization filed by Team Bank. Accordingly, by order dated April 23, 1992, the Bankruptcy Court denied approval of the Team Bank disclosure statement.

Despite the findings of the Bankruptcy Court regarding the feasibility of the Third Amended Plan of Reorganization and management's good faith belief that such plan is feasible, due to the inherent risks associated with any corporation seeking to undergo a Chapter 11 reorganization and other factors beyond the control of the Corporation, there can be no assurance that the Corporation will be able to continue as a going concern as it is currently configured. The Corporation's financial statements were prepared in conformity with generally accepted accounting principles on a going concern basis. They do not reflect the effects of any adjustments related to recoverability or classification of assets and amounts and classification of liabilities that might be necessary should the Corporation be unable to continue operations with its current capital structure.

At March 31, 1992, the Corporation had $34.9 million in pre-petition liabilities consisting of $32.5 million of long-term debt and $2.3 million of other liabilities.

By its letter dated July 7, 1990, and subsequent telephone confirmation, the National Association of Securities Dealers (the "NASD") notified the Corporation that the Corporation's Common Stock, $5.00 par value (the "Common Stock"), and its 10% Convertible Subordinated Debentures due 2006 (the "Debentures") have been removed from the NASDAQ National Market System (the "System"). The removal from the System was effective June 22, 1990, for the Common Stock and July 10, 1990, for the Debentures.

Currently, neither the Common Shares or the Debentures is quoted on an inter-dealer quotation system.

Investment Securities

The amortized costs and market values of investment securities are presented in the following table:

	March 31, 1992			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
		(Dollars in Thousands)		
U.S. Treasury and other U.S. Government agencies and corporations....................	$ 58,631	$ 747	$ 75	$ 59,303
Mortgage backed securities........	14,968	235	26	15,177
Obligations of states and political subdivisions..........	1,121	66	---	1,187
Other............................	254	---	---	254
Totals	$ 74,974	$ 1,048	$ 101	$ 75,921

	December 31, 1991			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
		(Dollars in Thousands)		
U.S. Treasury and other U.S. Government agencies and corporations....................	$ 49,342	$ 1,185	$ 6	$ 50,521
Mortgage Backed Securities.......	17,829	466	---	18,295
Obligations of states and political subdivisions..........	1,441	43	8	1,476
Other............................	254	---	---	254
Totals	$ 68,866	$ 1,694	$ 14	$ 70,546

	March 31, 1991			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
		(Dollars in Thousands)		
U.S. Treasury and government agency securities..............	$ 18,823	$ 42	$ 2	$ 18,863
Mortgage backed securities......	44,599	100	51	44,648
Obligations of states and political subdivisions........	2,335	43	403	1,975
Other...........................	404	---	---	404
	$ 66,161	$ 185	$ 456	$ 65,890

Loans and Allowance for Possible Credit Losses

Loans outstanding by type are presented in the following table:

	March 31				December 31	
	1992		1991		1991	
	(Dollars in Thousands)					
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Commercial and industrial	$ 13,280	12.9%	$ 29,627	20.5%	$ 15,727	14.5%
Construction and land development	10,340	10.1	11,285	7.8	11,061	10.2
Real estate mortgage	35,379	34.5	38,874	26.9	38,096	35.2
Consumer	46,980	45.8	72,080	49.9	47,443	43.9
Total loans	105,979	103.3	151,866	105.1	112,327	103.8
Unearned discounts	(3,401)	(3.3)	(7,323)	(5.1)	(4,067)	(3.8)
Loans, net of unearned discounts	$102,578	100.0%	$ 144,543	100.0%	$ 108,260	100.0%

The following table summarizes the transactions in the allowance for possible credit losses account:

	Three Months Ended March 31		Year Ended December 31
	1992	1991	1991
	(Dollars in Thousands)		
Beginning balance	$ 7,155	$ 10,115	$ 10,115
Provision charged against operations	173	425	790
Charge-offs	(647)	(1,029)	(5,454)
Recoveries	380	348	1,704
Net charge-offs	(267)	(681)	(3,750)
Ending balance	$ 7,061	$ 9,859	$ 7,155

Nonperforming Loans and Repossessed Assets

Nonperforming loans and repossessed assets consisted of the following:

	March 31		December 31
	1992	1991	1991
	(Dollars in Thousands)		
Nonaccrual loans....................	$ 5,720	$ 12,298	$ 6,451
Repossessed assets, net.............	5,577	5,238	5,253
	$ 11,297	$ 17,536	$ 11,704

Included in repossessed assets at March 31, 1992, March 31, 1991, and December 31, 1991, were substantive repossessions in the amount of $1.9 million, $380 thousand and $1.5 million, respectively.

For the quarters ended March 31, 1992, and 1991, $1.6 million and $1.1 million, respectively, was transferred from loans to other real estate as such collateral was repossessed or determined to be substantively repossessed. Reductions in fair values of repossessed assets are charged against operations, and are included in the noninterest expenses category - net expenses related to repossessed assets - on the Corporation's consolidated statements of operations.

A summary of transactions in the allowance for losses on repossessed assets follows:

	Three Months Ended March 31		Year Ended December 31
	1992	1991	1991
	(Dollars in Thousands)		
Beginning balance...........	$ 4,185	$ 5,733	$ 5,733
Provision charged against operations..............	22	10	235
Charge-offs................	(221)	---	(1,793)
Ending balance..............	$ 3,986	$ 5,743	$ 4,185

Liabilities Deferred Pursuant to Chapter 11 Reorganization Proceedings

Detail of the liabilities deferred pursuant to Chapter 11 reorganization proceedings as of March 31, 1992, follows (dollars in thousands):

Secured bank debt...........	$ 4,950
Long-term debt..............	27,604
Other liabilities...........	2,349
	$34,903

After filing for bankruptcy protection on June 8, 1990, the Corporation stopped accruing interest on the long-term debt included in the filing because no interest on long-term debt may be paid without Bankruptcy Court approval during the pendency of the Chapter 11 proceeding. Resolution of this debt obligation will be made in accordance with the Third Amended Plan of Reorganization as discussed herein.

Additionally, in connection with the acquisition of various banks over the years, the Corporation has assumed certain long-term obligations of the former parent companies of those banks. At March 31, 1992, these obligations totaled approximately $2.6 million. A principal payment of approximately $369 thousand was contractually due during the third quarter of 1991 and 1990. However, because of the Corporation's filing of the Chapter 11 proceeding on June 8, 1990, the Corporation is prohibited from making further debt payments without the authorization of an order issued by the Bankruptcy Court. Resolution of these debt obligations will be made in accordance with the Third Amended Plan of Reorganization, as discussed herein.

At March 31, 1992, $4.95 million remained outstanding on the Corporation's line of credit of $5.0 million from Team Bank, a successor to TAB/FW, the original lender. As security for the loan, the Corporation granted to TAB/FW a security interest in all the capital stock of NBC Bank-Eagle Pass, N.A., NBC Bank-Laredo, N.A., and the former NBC Bank-Rio Grande Valley, N.A. (closed by the FDIC on June 1, 1990) (the "Collateral Subsidiaries"). At March 31, 1992, the remaining Collateral Subsidiaries represented approximately 74.5% of the consolidated banking assets of the Corporation. Resolution of the debt obligation will be made in accordance with the Third Amended Plan of Reorganization, as discussed herein.

Preferred Stock

The Corporation has 2,000,000 authorized shares of preferred stock of $10 par value. No shares were issued or outstanding as of March 31, 1992.

Commitments, Contingencies and Regulatory Agreements

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Corporation evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation of the counter-party. Collateral held varies, but may include residential and commercial real estate, certificates of deposit, accounts receivable, and inventory. At March 31, 1992, the Corporation had $1.5 million outstanding loan commitments.

Letters of credit are written conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. At March 31, 1992, the Corporation had $446 thousand under standby letters of credit. Management anticipates no material losses as a result of these transactions.

The Corporation's exposure to credit loss in the event of nonperformance by the other party on such financial instruments is represented by the contractual amounts of the instruments. The Corporation uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The Corporation controls the credit risk of these transactions througn credit approvals, limits, and monitoring procedures.

At March 31, 1992, the Corporation's loans are primarily to borrowers located within the immediate geographic area of Eagle Pass, Laredo, Rockdale, San Antonio, Houston and Corpus Christi.

The Corporation and certain of its subsidiaries are defendants from time to time with respect to certain claims incidental to their businesses, including principally so-called lender liability claims in which borrowers, bankruptcy trustees, creditors and others assert claims that the Corporation or a subsidiary bank failed to act in good faith with respect to loan negotiations or workout practices or breached commitments to advance funds. Many of these claims have been asserted as counterclaims in lawsuits initiated by a subsidiary bank seeking to recover amounts due the bank as a result of delinquent loans. The following lawsuits are currently pending against the Corporation:

A. Hilton Development, Inc. et al. v. National Bancshares Corp. of Texas, J. Whetsell, G. Brown, P. Coyne, J. Mann, J. Rollins, G. Ferguson, et al., No. C-89-00144-02, now consolidated with Clash, Inc. d/b/a Pilgrim Laundry v. Hilton Development, Inc., et al. v. NBC Bank-Houston, N.A., et al., No. 87-06192, in the District Court of Harris County, Texas 133rd Judicial District.

This suit was filed on December 9, 1988, and Plaintiffs allege fraud, breach of promise, conspiracy, usury, violation of the Deceptive Trade Practices Act and negligent misrepresentation in connection with a construction loan. No discovery has been conducted to date. Upon information and belief, trial had been set for March 1992. The automatic stay has not been lifted to allow prosecution of the suit against the Debtor to proceed.

B. Margaret Laymon v. NBC Bank-Edinburg a/k/a NBC Bank-Rio Grande Valley, N.A., National Bancshares Corporation of Texas, R. Calvert, M. Johnson, P. Rodriguez and FDIC, No. C-3844-87-D, in the District Court of Hidalgo County Texas, 206th Judicial District.

Plaintiff held two CD's styled in her name and Richard Laymon in First State Bank & Trust Company, Edinburg, which bank was placed into receivership and its assets and liabilities were purchased by NBC Bank-Rio Grande Valley. Plaintiff attempted to withdraw the CD's; however, she was unable to do so since they were being held to pay a debt owed by Richard Laymon. Plaintiff, asserting that Richard Laymon had no real ownership interest in the CD's, in 1987 sued for alleged violations of Deceptive Trade Practices Act and conversion. In March 1990, Plaintiff added the Corporation as a defendant alleging that the Corporation was directly involved in "holding" the CD's. The automatic stay has not been lifted to allow prosecution of the suit against the Corporation to proceed.

The FDIC, as Receiver for the former First State Bank, has indicated to the Corporation that pursuant to the term of the Purchase and Assumption Agreement by which First State Bank assets and liabilities were purchased, the FDIC will indemnify the Corporation in this matter.

C. Maria Magdalena Trevino as next friend of her son, Jesus Trevino, a person of unsound mind v. National Bancshares Corporation of Texas, Manuel Baez Flores and Sylvia Trevino, Cause No. C-90-00113-02, in the District Court of Webb County, Texas, 111th Judicial District.

Plaintiff was injured in an auto accident involving an employee of the Corporation or its then affiliate, NBC Bank-San Antonio (which bank is now in an FDIC receivership), engaged in the employer's business. Defendant's insurer reached a settlement which Plaintiff, via next of friend, seeks to overturn alleging that as a result of the accident, Plaintiff was rendered incompetent and that Plaintiff's then wife and the Defendants defrauded Plaintiff by entering into a settlement agreement which allowed the wife to receive the settlement proceeds. The Corporation's insurer has assumed the defense. The automatic stay has not been lifted to allow prosecution of the suit against the Corporation to proceed.

D. NBC Bank-San Antonio, N.A. v. E. W. Schrader and Nell Y. Schrader v. National Bancshares Corporation of Texas, Cause No. 89-CI-08760, in the District Court of Bexar County, Texas, 224th Judicial District.

NBC Bank-San Antonio filed suit to collect on a note owed by Defendant Schrader. Defendant Schrader alleges he was induced to obtain the loan and remit the proceeds to NBC Bank-Corpus Christi to pay sums allegedly due the latter bank by Defendant's son, under an agreement with the Corporation that no action would be taken against his son. Defendant claims that the Corporation breached this contract--as a referral on the son's activities was made to the bonding company--and Defendant, therefore, in November 1989, added Bancshares as a Third-Party Defendant in this matter. Defendant alleges breach of contract and seeks cancellation of all notes. The automatic stay has not been lifted to allow prosecution of the suit against the Corporation to proceed.

The Bankruptcy Code provides that any actions against the Corporation, a debtor-in-possession, are automatically stayed and cannot be further pursued without the prior approval of the Bankruptcy Court. As discussed herein, confirmation of the Third Amended Plan of Reorganization results in the Corporation being discharged from any debt or liability on a claim that arose prior to the confirmation date regardless of whether: 1) a proof of claim based on such debt is filed or deemed to have been filed, 2) such claim is allowed, or 3) the holder of such claim has accepted the Third Amended Plan of Reorganization. Further, under the Corporation's Third Amended Plan of Reorganization, holders of claims against and equity interests in the Corporation will generally be enjoined from commencing, continuing, or otherwise taking any action or proceeding with respect to any claim or equity interest or otherwise asserting any claim against the corporation.

The Bank Secrecy Act and applicable regulations require financial institutions to file Currency Transaction Reports ("CTRs") with the IRS providing certain information regarding cash transactions in excess of $10,000 by customers who are not exempt from the requirement ("Covered Transactions"). In July 1986, Eagle Pass reported to the Treasury Department that it could not confirm that the Bank had timely filed certain CTRs with respect to what were believed to be Covered Transactions. Details regarding the transactions were provided to the Treasury, and the Bank instituted additional procedures to ensure that all required CTRs were filed. Supplemental information has been provided to the Treasury, with the last correspondence occurring in early 1989. The Bank has not been advised what, if any, remedial action will be required by the Treasury.

The Corporation and its subsidiaries own various parcels of real estate, including bank premises and a number of parcels acquired through foreclosure or otherwise obtained in partial satisfaction of debts owed the banks. Certain of these parcels may contain hazardous materials or otherwise give rise to claims against the banks for environmental contamination, clean up costs or other liability derived from applicable state,or federal statutory or common law and regulations. No claims against the Corporation or its Subsidiaries have been asserted at this time.

As previously disclosed, the Corporation was advised by its actuaries that if the Corporation were to continue sponsorship of the Corporation's pension plan ("Pension Plan") at its present level or terminate it under applicable law, such options may have a material adverse impact on the Corporation's efforts to undergo a successful reorganization. In this connection, the Corporation had previously entered into a letter agreement dated February 28, 1991 ("Letter Agreement") with NationsBank providing, among other things, for the global settlement of a number of issues including, without limitation, the assumption by NationsBank of the sponsorship of the Corporation's Pension Plan. However, NationsBank had indicated that it would not assume sponsorship of the Pension Plan despite the Letter Agreement, and, to avoid expensive and protracted litigation, the Corporation and NationsBank have been engaging in settlement discussions by exploring the possibility of modifying the Letter Agreement.

The Corporation and NationsBank have now reached a successful conclusion to such settlement discussions to modify the Letter Agreement, and the Bankruptcy Court by order dated April 23, 1992 has approved the terms of the settlement agreement. Generally, the settlement with NationsBank provides for the transfer of certain assets and liabilities of the Corporation's Pension Plan to NationsBank pursuant to section 414(1) of the Internal Revenue Code. While this transfer enables the Corporation to consider the option of terminating or continuing sponsorship of the portion of the Pension Plan that is remaining with the Corporation, the Corporation has been advised by its actuaries that due to the fluctuation in interest rates and other market forces there can be no assurance that the continuation in sponsorship or termination of the Corporation's portion of the Pension Plan could be achieved in a manner that would not result in a material adverse impact on the financial condition of the Corporation or its subsidiary banks in the future.

As also previously disclosed, the Internal Revenue Service ("IRS") may attempt to assert a substantial claim for income taxes against the Corporation based on the FDIC's provision of assistance in connection with the transactions pursuant to which the assets and liabilities of the Corporation's Closed Banks were transferred to NationsBank on June 1, 1990. In May of 1990, prior to the date the Closed Banks' assets and liabilities were transferred to NationsBank, the Corporation conveyed (the "Transfer") 21% of the stock of its Closed Banks and

71% of the stock of Eagle Pass to Bellarmino Limited, an Irish subsidiary of the Corporation. Among other consequences, management believes that, as a result of the Transfer, the Closed Banks and Eagle Pass became ineligible to continue filing consolidated federal tax returns as members of the affiliated group of which NBC is the common parent (the "NBC Group"). If the Transfer is respected by the IRS, any potential liability of NBC for taxes attributable to the provision of assistance may be eliminated. On the other hand, the IRS may argue that the Transfer did not effectively eliminate the tax liability attributable to the FDIC's provision of assistance. The Corporation has also taken an additional step to attempt to ensure that the Closed Banks were not members of the NBC Group at the time the FDIC provided financial assistance to NationsBank with respect to the Closed Banks. This additional step involved the filing on December 10, 1991 of an application to deconsolidate under IRS Revenue Procedure 91-11.

The final resolution of the Corporation's deconsolidation efforts is significant to the Corporation. While the IRS has not indicated whether or not it will respect the Corporation's deconsolidation efforts, the Corporation is aware of no apparent reason why relief should not be granted. Nevertheless, should the IRS successfully contend that both the Transfer and the subsequent application to deconsolidate pursuant to IRS Revenue Procedure 91-11 were ineffective, the Corporation believes it has a reasonable legal position that the provision of FDIC assistance to NationsBank did not result in net taxable income to the consolidated group of which NBC was then and is now the common parent. If neither the Corporation's deconsolidation efforts nor its legal position is successful, the Corporation could be liable for federal income taxes attributable to the payment of assistance by the FDIC to NationsBank. The Corporation believes that it is possible that any such income tax liability could virtually eliminate all potential recoveries to the Corporation's creditors and therefore may have a material adverse impact on the reorganization efforts as well as the financial condition of the Corporation and its subsidiary banks. It is also possible, however, that the IRS may adopt as final regulations certain proposed regulations that may reduce or eliminate the Corporation's exposure for such taxes regardless of whether the IRS accepts the Corporation's deconsolidation efforts.

As a result of a 1987 inspection of the Corporation, the Corporation entered into a memorandum of understanding with the Federal Reserve Bank of Dallas ("Federal Reserve") in August 1987 evidencing certain understandings and mutual concerns regarding the satisfactory resolution of certain matters raised during the inspection. These matters included, among others, (i) ensuring capital adequacy of the Corporation and its subsidiaries, (ii) reducing reliance on commercial paper and other short-term funding at the parent company level, (iii) establishing and maintaining effective loan officer grading of loans and an effective asset review function, (iv) continuing to prepare and submit asset review reports and a consolidated loan summary by grade to the Board of Directors at least quarterly, (v) continuing to ensure each bank subsidiary establishes and maintains adequate valuation reserves for loan losses, and (vi) reevaluating its strategic plan and compliance with the Federal Reserve's policy on cash dividends to shareholders not fully covered by earnings.

The OCC has notified the Corporation that in its review as of March 31, 1988, the Corporation was not in compliance with items (i), (iii), (v) and (vi) above. However, under the terms of its memorandum of understanding with the Federal Reserve, the Corporation is restricted from paying cash dividends by the Federal Reserve's policy on cash dividends not fully covered by earnings. To the extent there are not earnings sufficient to cover cash dividends within the meaning of the Federal Reserve policy, the memorandum of understanding will have a material adverse effect on the Corporation's ability to pay cash dividends.

In addition, under an agreement with the Texas Department of Banking, Rockdale is prohibited from paying cash dividends without prior approval of the Texas Banking Commissioner and the regional director of the FDIC. If the Corporation is at any time substantially dependent on Rockdale for the payment of dividends or management fees, this agreement may have a material adverse effect on the Corporation's ability to pay dividends. At March 31, 1992, Rockdale had total assets of $50.9 million or 24.5% of the Corporation's total banking assets.

Laredo and Eagle Pass have entered into agreements with the OCC which provide, among other things, that: each bank shall maintain Tier I capital at least equal to 8% of risk-rated assets and Tier I capital at least equal to 5% of actual adjusted total assets; each bank shall develop a three-year capital program including specific plans for the maintenance of adequate capital and certain other matters, which shall be submitted to the District Administrator of the OCC and upon approval by the District Administrator, be implemented and adhered to by the bank; the bank's Board shall develop and adhere to a dividend policy permitting declaration or payment of a dividend only in compliance with 12 U.S.C. §56 and 60, when the bank is in compliance with its approved capital program, when such dividend has been determined by the Board, after consideration of the bank's financial condition, to be in the best interests of the bank, and when such dividend has been previously approved in writing by the District Administrator; the Board shall conduct a study to determine the appropriateness of management fees paid to the bank's holding company and submit such a study to the District Administrator; the bank shall not pay any future management or other fees to shareholders, insider related organizations or affiliates unless the fees are consistent with Banking Circular 115.

Condensed Parent Company Financial Statements

Condensed financial information of the parent company as of March 31, 1992, follows:

NATIONAL BANCSHARES CORPORATION OF TEXAS
Balance Sheet
(Parent Company Only)
(Unaudited)

	March 31, 1992 (Dollars in Thousands)
Assets:	
Cash	$ 111
Short-term investments	3,050
Investments in subsidiaries	11,182
Fixed assets, net	5
Other assets	2,012
	$ 16,360
Liabilities and Shareholders' Deficit:	
Liabilities deferred pursuant to Chapter 11 reorganization proceeding	34,903
Other liabilities	1,549
Shareholders' deficit	(20,092)
	$ 16,360

NATIONAL BANCSHARES CORPORATION OF TEXAS
Statement of Operations
(Parent Company Only)
(Unaudited)

	Three Months Ended March 31, 1992 (Dollars in Thousands)
Income:	
Interest	$ 26
Service fees from subsidiaries	---
Other income	---
Total income	26
Expenses:	
Interest	131
Salaries and employee benefits	91
Professional fees	366
Other expenses	53
Total expenses	641
Loss before Federal income tax benefits and equity in undistributed income of subsidiaries	(615)
Federal income tax benefit	(96)
Loss before equity in undistributed earnings of subsidiaries	(519)
Equity in undistributed income of subsidiaries	497
Net loss	$ (22)

NATIONAL BANCSHARES CORPORATION OF TEXAS
Statement of Cash Flows
(Parent Company Only)
(Unaudited)

	Three Months Ended March 31, 1992 (Dollars in Thousands)
Operating Activities:	
Net loss................................	$ (22)
Adjustments to reconcile net income to net cash used by operations:	
Security premium amortization, net of accretion..................	(26)
Equity in undistributed income of subsidiaries.......................	(497)
Depreciation.........................	1
Increase in other assets.............	(128)
Increase in other liabilities........	285
Net cash used by operations..............	(387)
Investing Activities:	
Proceeds from paydown or maturities of investment securities..................	1,360
Proceeds from sales of investment securities..............................	---
Purchases of investment securities.......	(1,001)
Net cash provided by investing activities...........................	359
Net decrease in cash and cash equivalents..........................	(28)
Cash and cash equivalents at beginning of year	139
Cash and cash equivalents at end of period	$ 111
Supplemental Disclosures of Cash Flow Information:	
Cash paid for interest expense...........	$ ---
Cash paid/(received) for income taxes....	---

On April 16, 1992, the Corporation's Third Amended Plan of Reorganization was approved by the Bankruptcy Court (see Item 1. - Financial Statements - Bankruptcy). Unless an extension is agreed to by the major parties in interest, the effective date of the reorganization is expected to be on or before May 26, 1992. The Plan, which eliminates the interest of holders of equity interest, including MBC's outstanding common stock, qualifies to account for the reorganization using fresh-start reporting. The following information presents the unaudited proforma balance sheet and statement of operations as though the effective date was as of March 31, 1992.

The proforma includes the consolidated information for the Parent Company and Subsidiaries except for Rockdale, which is being treated as a discontinued operation. Pursuant the Third Amended Plan of Reorganization, Rockdale will be marketed for sale in an effort to generate sufficient cash to provide for the payment of the Corporation's creditors.

Since the reorganized Corporation qualifies to use fresh-start reporting, prior year financial information is not comparable. Accordingly, prior period comparisons have not been presented.

NATIONAL BANCSHARES CORPORATION OF TEXAS
AND SUBSIDIARIES
Proforma Consolidated Balance Sheets
(Dollars in Thousands) (Unaudited)

	March 31, 1992
Assets:	
Cash and due from banks......................	$ 7,839
Federal funds sold...........................	13,400
Total cash and cash equivalents............	21,239
Time deposits with banks.....................	0
Investment securities........................	45,195
Loans..	87,745
Unearned discounts...........................	(3,033)
Loans, net of unearned discounts...........	84,712
Allowance for possible credit losses.........	(6,281)
Net loans..................................	78,431
Bank premises and equipment, net.............	2,523
Repossessed assets, net......................	4,955
Net asset of discontinued operation..........	3,072
Other assets.................................	1,683
	$ 157,098
Liabilities and Shareholders' Equity:	
Deposits:	
Noninterest-bearing........................	$ 19,573
Interest-bearing...........................	121,855
Total deposits...........................	141,428
Accrued pension cost.........................	472
FDIC note....................................	3,000
Other borrowings.............................	3,523
Other liabilities............................	1,932
Total liabilities........................	$ 150,355
Shareholders' Equity:	
Preferred stock of $.01 par value, authorized 20,000,000 shares; issued 2,604,000........	26
Common stock of $.001 par value; authorized 100,000,000 shares; issued 26,250,000......	26
Surplus......................................	6,691
Retained earnings............................	0
Total shareholders' equity.................	6,743
	$ 157,098

NATIONAL BANCSHARES CORPORATION OF TEXAS
AND SUBSIDIARIES
Proforma Consolidated Statement of Operations
(Dollars in Thousands) (Unaudited)

	March 31, 1992
Interest Income:	
Loans	$ 2,262
Time deposits with banks	0
Federal funds sold	119
Investment securities	713
Total interest income	3,094
Interest Expense:	
Deposits	1,192
Other borrowings	0
Total interest expense	1,192
Net interest income	1,902
Provision for possible credit lossts	158
Net interest income(expense) after provision for possible credit losses	1,744
Noninterest Income:	
Service charges on deposits	240
Other	123
Gain(loss) on investment securities	0
Total noninterest income	363
Noninterest Expenses:	
Salaries and benefits	908
Other	1,309
Total noninterest expenses	2,217
Income(loss from continuing operations before taxes	(110)
Federal income tax benefit	(84)
Income(loss) from continuing operations	(26)
Discontinued Operations:	
Income from operations	135
Loss on disposal of subsidiary	(380)
Net income(loss)	(271)

Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations

The tables and discussion of financial results that follow reflect tax-exempt income, principally interest on municipal securities and industrial revenue bonds (the latter being included in loans), on a fully taxable-equivalent basis with an offsetting adjustment to Federal income taxes. A Federal income tax rate of 34% was assumed. This presentation, despite NBC's current inability to recognize tax benefits, reflects information on a comparative basis with prior years and other financial institutions. It should be noted, however, that the financial statements and related notes thereto included herein do not reflect such tax-exempt income on a fully taxable-equivalent basis. All comparisons of balance sheet accounts refer to average balances unless otherwise noted.

SUMMARY OVERVIEW OF RESULTS OF OPERATIONS

NBC's net loss for the first quarter of 1992 was $22 thousand, or less than $.01 per share. These results compare to a net income of $144 thousand, or $.01 per share, for the first quarter of 1991.

Current Status of the Corporation

National Bancshares Corporation of Texas (the "Corporation") is a debtor-in-possession seeking to undergo a reorganization pursuant to a confirmed Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") in a proceeding, Case No. 90-51814K-11, that is pending before the United States Bankruptcy Court for the Western District of Texas, San Antonio Division ("Bankruptcy Court").

As previously disclosed, the institution of the Chapter 11 case, filed on June 8, 1990, resulted principally from the termination of the proposed "open bank" recapitalization involving the Federal Deposit Insurance Corporation ("FDIC") and the closing by federal banking regulators on June 1, 1990 of nine of the Corporation's twelve banking subsidiaries ("Closed Banks").

The Corporation's principal assets at March 31, 1992 consisted of all of the outstanding capital stock of two national banking associations, Eagle Pass, and Laredo, and one state banking association, Rockdale (collectively "member banks," "subsidiary banks," or "subsidiaries"). These subsidiaries are not parties to the Chapter 11 proceeding.

The Corporation engages in commercial and consumer banking services and trust services through the subsidiary banks and continues to operate its business and manage its properties as a debtor-in-possession. As of March 31, 1992, Eagle Pass failed to meet certain regulatory capital requirements. For a discussion of the regulatory capital of all the member banks, see Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital Resources.

As of March 31, 1992, the following banking subsidiaries had total assets, total loans and total deposits as follows:

	Total Assets	Total Loans	Total Deposits
NBC Bank-Eagle Pass, N.A.	$ 109,269	62,234	105,908
NBC Bank-Laredo, N.A.	40,901	21,478	35,520
NBC Bank-Rockdale	51,280	17,865	47,391

The Corporation is operating these banking subsidiaries through the Chapter 11 proceeding, subject to the conditional waiver by the FDIC of its so-called "cross-guaranty" powers under Section 206 of the Financial Institution Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), as provided under the confirmed Plan of Reorganization. On April 14, 1992, the FDIC issued an order conditionally granting approval for waiver of cross-guaranty for each of the subsidiary banks. The FDIC's waiver of the cross-guaranty powers is conditioned generally on the consummation of the provisions of the confirmed plan of reorganization, discussed below. The reorganized Corporation will continue to operate Eagle Pass and Laredo and will undertake efforts to sell Rockdale in an effort to generate sufficient cash to provide for the payment of its creditors.

As previously disclosed, the Corporation filed with the Bankruptcy Court the Second Amended Joint Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code proposed by National Bancshares Corporation of Texas and the Statutory Committee of Unsecured Creditors ("Second Amended Plan of Reorganization") together with the First Amended Disclosure Statement with respect to the Second Amended Joint Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code proposed by National Bancshares Corporation of Texas and the Statutory Committee of Unsecured Creditors ("Disclosure Statement"). As previously disclosed, the Corporation filed with the Bankruptcy Court the Second Amended Joint Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code proposed by National Bancshares Corporation of Texas and the Statutory Committee of Unsecured Creditors ("Second Amended Plan of Reorganization") together with the First Amended Disclosure Statement with respect to the Second Amended Joint Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code proposed by National Bancshares Corporation of Texas and the Statutory Committee of Unsecured Creditors ("Disclosure Statement"). As previously disclosed, the Second Amended Plan of Reorganization provides for the reorganized Corporation to fund certain capital contributions to Eagle Pass totalling approximately $3 million. In addition, the Second Amended Plan of Reorganization provides for the payment of administrative claims and allowed priority claims in cash in full. Any tax claims will be paid in full through deferred cash payments over a six-year period under the Second Amended Plan of Reorganization. Under the Plan of Reorganization, holder of the Team Bank claim will receive approximately $1.5 million plus interest representing the amount of a post-petition dividend paid by Laredo to the Corporation ("Laredo Dividend") and a note in an amount equal to $5,173,000 less the amount of the Laredo Dividend, which note will be secured by an interest in the stock of Laredo, Eagle Pass and Rockdale. In addition, in satisfaction of its claim, the FDIC will receive under the Second Amended Plan of Reorganization (i) a $3 million note, (ii) an assignment of the rights of the Corporation to assert certain claims against Equimark arising from the 1990 proposed "open bank" assistance transaction, (iii) a release from certain claims of the Corporation related to the FDIC's action prior to the commencement of the Chapter 11 case, and (iv) a contingent right to receive a $1.5 million note in the future. The Corporation's obligations to the FDIC will be secured by a second lien on the capital stock of Laredo, Eagle Pass and Rockdale and the Corporation's real estate. Under the Second Amended Plan of Reorganization, holders of senior debentures of the Corporation will receive 100% of the preferred stock of the reorganized Corporation with an aggregate liquidation amount equal to the face amount of such claims. Holders of the Corporation's 10% Convertible Subordinated

Debentures due 2006 and general unsecured creditors will receive a pro rata distribution of 100% of the common stock of reorganized Corporation. In addition, the Corporation's outstanding common stock will be cancelled and holders will receive nothing under the Second Amended Plan of Reorganization. A complete copy of the Second Amended Plan of Reorganization and Disclosure Statement has been filed as an Exhibit to NBC's Annual Report on Form 10-K for the year ended December 31, 1991.

As previously disclosed, on February 6, 1992, the Bankruptcy Court approved the Disclosure Statement for mailing to all creditors entitled to vote on the Second Amended Plan of Reorganization. On or before February 28, 1992, the Corporation caused a copy of the Disclosure Statement, the Second Amended Plan of Reorganization, a ballot or master ballot, and all exhibits relating thereto to be mailed to all creditors and other parties in interest.

In April 1992, the Corporation and its Statutory Committee of Unsecured Creditors ("Creditors' Committee") (collectively "Plan Proponents") made certain minor amendments to the Second Amended Plan of Reorganization. These amendments added certain voting, redemption, and conversion rights to the preferred stock, which is to be issued by the Corporation to the holders of the senior unsecured claims against the Corporation. These amendments were approved by the Bankruptcy Court pursuant to the applicable provisions of the Bankruptcy Code and rules thereunder (thereafter the Second Amended Plan of Reorganization became the "Third Amended Plan of Reorganization").

On April 16, 1992, the Bankruptcy Court conducted a hearing on the Third Amended Plan of Reorganization. After consideration of objections to confirmation and upon record of the confirmation hearing and all evidence adduced and arguments of counsel made at the confirmation hearing, the Bankruptcy Court confirmed the Third Amended Plan of Reorganization in accordance with the applicable provisions of the Bankruptcy Code. The Bankruptcy Court found, among other things, that the third Amended Plan of Reorganization satisfied the "best interests" test, namely that each holder of a claim or equity interest entitled to vote had accepted the Third Amended Plan of Reorganization or will receive or retain under the Third Amended Plan of Reorganization property of a value, as of the effective date of the Third Amended Plan of Reorganization, that is not less than the amount that such holder would receive or retain if the Corporation were liquidated under Chapter 7 of the Bankruptcy Code. The Bankruptcy Court further found, among other things, that each impaired class of claims entitled to vote had accepted the Third Amended Plan of Reorganization and that the Third Amended Plan of Reorganization does not discriminate unfairly and is "fair and equitable" with respect to the common shareholder interests that are impaired thereunder and deemed to have rejected the Third Amended Plan of Reorganization. Based on the evidence presented, the Bankruptcy Court found that the Third Amended Plan of Reorganization is "feasible;" that is the Third Amended Plan of Reorganization offers a reasonable prospect of success and that confirmation of the Third Amended Plan of Reorganization is not likely to be followed by the liquidation or the need for further financial reorganization of the Corporation. Finally, the Bankruptcy Court found, among other things, that the Third Amended Plan of Reorganization complies with all other applicable provisions of the Bankruptcy Code, that the Corporation and the Creditors' Committee as joint Plan Proponents have complied with the applicable provisions of the Bankruptcy Code and that the

Third Amended Plan of Reorganization was proposed in good faith and not by any means forbidden by law.

Generally, under the Bankruptcy Code, confirmation of the Third Amended Plan of Reorganization will have the following consequences. The provisions of the Third Amended Plan of Reorganization will be binding on the Corporation, any entity acquiring property thereunder, and all creditors and shareholders of the Corporation, whether or not the claim or interest of such creditors or shareholders is impaired under the Third Amended Plan of Reorganization and whether or not such creditors or shareholders accepted the Third Amended Plan of Reorganization. Additionally, except as otherwise provided in the Third Amended Plan of Reorganization or the confirmation order, the confirmation of the Third Amended Plan of Reorganization vests all of the property of the estate in the Corporation. Further, except as otherwise provided in the Third Amended Plan of Reorganization or the confirmation order, the property dealt with by the third Amended Plan of Reorganization is generally free and clear of all claims and interests of creditors and shareholders after confirmation of the Third Amended Plan of Reorganization. Finally, except as otherwise provided in the Third Amended Plan of Reorganization or the confirmation order, confirmation of the Third Amended Plan of Reorganization (a) discharges the Corporation from any debt that arose before the date of such confirmation and certain other types of debt specified in the Bankruptcy Code whether or not (i) a proof of claim based on such debt is filed or deemed filed pursuant to the applicable provisions of the Bankruptcy Code and rules thereunder, (ii) such claim is allowed, or (iii) the holder of such claim has accepted the Third Amended Plan of Reorganization, and (b) terminates all rights and interests of shareholders provided for by the Third Amended Plan of Reorganization.

Unless an extension is agreed to by the major parties in interest, consummation of the Third Amended Plan of Reorganization is presently scheduled to occur on or before May 26, 1992.

The Bankruptcy Court has also determined that confirmation of the Third Amended Plan of Reorganization has rendered moot any consideration of the previously disclosed disclosure statement filed by Team Bank and that there is no basis for going forward with the competing plan of reorganization filed by Team Bank. Accordingly, by order dated April 23, 1992, the Bankruptcy Court denied approval of the Team Bank disclosure statement.

Despite the findings of the Bankruptcy Court regarding the feasibility of the Third Amended Plan of Reorganization and management's good faith belief that such plan is feasible, due to the inherent risks associated with any corporation seeking to undergo a Chapter 11 reorganization and other factors beyond the control of the Corporation, there can be no assurance that the Corporation will be able to continue as a going concern as it is currently configured. The Corporation's financial statements were prepared in conformity with generally accepted accounting principles on a going concern basis. They do not reflect the effects of any adjustments related to recoverability or classification of assets and amounts and classification of liabilities that might be necessary should the Corporation be unable to continue operations with its current capital structure.

At March 31, 1992, the Corporation had $34.9 million in pre-petition liabilities consisting of $32.5 million of long-term debt and $2.3 million of other liabilities.

By its letter dated July 7, 1990, and subsequent telephone confirmation, the National Association of Securities Dealers (the "NASD") notified the Corporation that the Corporation's Common Stock, $5.00 par value (the "Common Stock"), and its 10% Convertible Subordinated Debentures due 2006 (the "Debentures") have been removed from the NASDAQ National Market System (the "System"). The removal from the System was effective June 22, 1990, for the Common Stock and July 10, 1990, for the Debentures.

Currently, neither the Common Shares or the Debentures is quoted on an inter-dealer quotation system.

First Quarter Results Overview

The net loss for the first quarter of 1992 of $22 thousand compared to a net income of $368 thousand in the first quarter of 1991. The provision for possible credit losses declined $252 thousand in the quarter-to-quarter comparison and noninterest expenses increased $333 thousand and net interest income decreased $262 thousand.

The provision for possible credit losses totaled $173 thousand for the first quarter of 1992, compared to $425 thousand for the first quarter of 1991. The reduced provision relates to a reduced level of loans outstanding. The allowance for possible credit losses totaled $7.1 million at March 31, 1992, which expressed as a percentage of nonaccrual loans was 123.4% as compared to 110.9% at December 31, 1991, and 80.2% at March 31, 1992.

Net expenses related to repossessed assets, primarily reflecting valuation adjustments to fair values of such properties, which are included in noninterest expenses on the income statement, totaled $17 thousand for the three months ended March 31, 1992, versus $59 thousand for the three months ended March 31, 1991.

Net interest income for the quarter ended March 31, 1992, was $2.3 million, compared to $2.6 million for the quarter ended March 31, 1991. The decrease in net interest income was largely due to a lower volume of earning assets held by the Corporation and the continued level of nonperforming assets. Average earning assets were $192.0 million for the first quarter of 1992, compared to $238.8 million in 1991. Nonperforming assets as a percentage of earning assets were 5.9% at March 31, 1992, and 7.2% at March 31, 1991. The net interest margin was 4.81% for the first quarter of 1992, as compared to 4.38% for the first quarter of 1991, an increase of 43 basis points.

ANALYSIS OF RESULTS OF OPERATIONS

Net Interest Income

Net interest income, one of the most significant components of operations, is the amount by which the interest generated from earning assets exceeds the expense associated with funding those assets. For purposes of this discussion, the interest earned on tax-exempt assets such as certain municipal securities is adjusted to a "taxable equivalent" basis using assumed Federal income tax rates of 34 percent for 1992 and 1991 in order to recognize the income tax savings which would ordinarily be realized by investing in tax-exempt assets rather than taxable assets. Although the Corporation has been in a net operating loss carryforward position for financial reporting and Federal income tax purposes since the third quarter of 1986, the taxable equivalent adjustment continues to be used for analytical purposes to allow for consistency of presentation and to facilitate comparisons between operating results of the Corporation and others in its industry. The taxable equivalent adjustment has no effect on reported results of operations for the periods presented but rather only on certain components of the taxable equivalent statements of operations.

Taxable equivalent net interest income was $2.3 million for the three months of 1992, down $276 thousand from the same period last year. The decrease in net interest income for the three months was due primarily to the lower volume of earning assets held by the Corporation.

As shown on the "Net Interest Income (Taxable Equivalent)" table which follows this discussion of the Corporation's net interest income, the principal factor causing the declining level of net interest income since 1990 has been the volume reduction in earning assets. Earning assets averaged $192.0 million during the first quarter of 1992, or 92.7% of total assets, compared to $238.8 million or 105.7% during the first quarter of 1991. The "Net Interest Income (Taxable Equivalent)" table presents an analysis of the relative effects of changes in interest rates and balance sheet volumes on the Corporation's net interest income.

The Corporation's yield on its earning assets was 8.5% for the first quarter of 1992 compared to 10.15% in the first quarter of 1991. The decrease of 164 basis points on earning assets was exceeded by a 209 basis point decrease on interest bearing liabilities. This resulted in a decline of $1.1 million in interest expense due strictly to rate compared to a $622 thousand decline in interest income. The net effect was to offset the $792 thousand decrease in net interest income due to volume, by $516 thousand due to rate, for net decrease in net interest income of $276 thousand when compared to the first quarter of 1991.

The net interest margin, which is net interest income expressed as a percent of earning assets, was 4.81% for the first quarter of 1992 compared to 4.38% for the first quarter of 1991. The margin improvement is the result of continued decrease in the Corporation's cost of funds, the high level of fixed rate loans, and continued decline in nonperforming assets.

The following table summarizes the Corporation's average balance sheet, amount of interest earned or paid in each major category of earning assets and interest-bearing liabilities and average interest rates earned and paid for the three months ended March 31, 1992 and 1991.

AVERAGE BALANCES, INTEREST AND AVERAGE RATES
(Dollars in Thousands)

	Three Months Ended March 31, 1992			Three Months Ended March 31, 1991		
	Average Balances	Interest	Rate	Average Balances	Interest	Rate
Assets:						
Time deposits with banks...	$ 1,414	$ 21	5.93%	$ 217	$ 3	6.04%
Federal funds sold.........	12,584	125	3.97	21,549	330	6.22
Investment securities:						
Taxable..................	71,469	1,177	6.60	61,757	1,058	6.95
Tax-exempt...............	779	24	12.51	1,964	59	11.98
Loans, net of discount.....	105,780	2,728	10.35	153,321	4,525	11.97
Total earning assets.....	192,026	4,075	8.51%	238,808	5,975	10.15%
Allowance for possible credit losses............	(7,131)			(10,056)		
Cash and due from banks....	10,472			14,178		
Premises & equipment.......	4,026			4,363		
Other assets...............	7,735			8,633		
	$ 207,128			$ 225,926		
Liabilities and Shareholders' Deficit:						
Savings,Now and Money Market deposits..........	$ 62,206	$ 539	3.47%	$ 85,536	$ 1,156	5.49%
Time deposits..............	100,907	1,104	4.39	122,642	2,112	6.98
10% Convertible Subordinated Debentures...............	25,000	---	---	25,000	---	---
Other borrowings...........	7,554	131	6.98	7,554	130	6.98
Total interest-bearing liabilities..............	195,667	1,774	3.64	240,732	3,398	5.73
Demand deposits............	26,441			29,516		
Other liabilities..........	5,163			3,705		
Shareholders'deficit.......	(20,143)			(18,027)		
	$ 207,128			$ 255,926		
Net interest income and average rate spread......		$ 2,301	4.86%		$ 2,577	4.42%
Ratio of interest-bearing liabilities to earning assets (average).........			101.90%			100.81%
Net interest margin (net interest income as a percent of average earning assets)..........			4.81%			4.38%

The following table analyzes the changes in net interest income in the first quarter of 1992 on a taxable equivalent basis and the relative effects of changes in interest rates and volumes for each major classification of earning assets and interest-bearing liabilities from the first quarter of 1991 as well as from the preceding quarter. Nonaccrual loans have been included in earning assets for purposes of these analyses, which reduces the resulting yields.

Net Interest Income (Taxable Equivalent)
(Dollars in Thousands)

	Change to 1-Q 1992 From 1-Q 1991			Change to 1-Q 1992 From 1-Q 1991		
	Net Increase (Decrease)	Due to Changes in		Net Increase (Decrease)	Due to Changes in	
		Rates	Volume		Rates	Volume
Interest Income:						
Time deposits with banks..	$ 18	$ ---	$ 18	$ (3)	$ (1)	$ (2)
Federal funds sold.........	(205)	(92)	(113)	(44)	(29)	(15)
Investment securities:						
Taxable.................	119	(53)	172	29	(35)	(64)
Tax-exempt..............	(35)	(1)	(36)	(9)	(1)	(8)
Loans.....................	(1,796)	(478)	(1,318)	(234)	(23)	(211)
	(1,899)	(622)	(1,277)	(261)	(89)	(172)
Interest Expense:						
Interest-bearing deposits.	(1,623)	(1,138)	(485)	(390)	(320)	(70)
10% Convertible Subordinated Debentures........	---	---	---	---	---	--
Other borrowings..........	---	---	---	---	---	--
	(1,623)	(1,138)	(485)	(390)	(320)	(70)
Net Interest Income.........	$ (276)	$ 516	$ (792)	$ 129	$ 231	$ (102)

Provision for Possible Credit Losses

The Corporation's provision for possible credit losses during the first quarter of 1992 was $173 thousand, compared to $425 thousand during the first quarter of 1991. Provisions are made in order to maintain the allowance for possible credit losses at a level which, in management's judgment, provides an adequate allowance to absorb future losses.

Net charge-offs were $268 thousand and $681 thousand for the three months ended March 31, 1992 and 1991, respectively. The allowance for possible credit losses at March 31, 1992, was $7.0 million, compared to $7.5 million at December 31, 1991, and $9.8 million at March 31, 1991.

Noninterest Income

The following table summarizes noninterest income for the three months ended and nine months ended March 31, 1992 and 1991:

Analysis of Noninterest Income
(Dollars in Thousands)

	Three Months Ended March 31	
	1992	1991
Trust income........................	$ (6)	$ 6
Service charges on deposits.........	328	311
Other service charges...............	85	124
Investment securities transactions..	---	68
Other...............................	66	11
Total noninterest income........	$ 473	$ 520

Noninterest income is primarily composed of account service charges, gains from disposal of assets, including investment securities, and other various fees and commissions. Noninterest income for the Corporation was $473 thousand for the first quarter of 1992, compared to $520 thousand for the first quarter of 1991. Noninterest income declined primarly due to no gains on sale of investment securities during the first quarter of 1992. The Corporation's banks continue to analyze service charges and increase fees wherever possible.

Noninterest Expenses

The following presents an analysis of noninterest expenses for the three months ended March 31, 1992 and 1991:

Analysis of Noninterest Expenses
(Dollars in Thousands)

	Three Months Ended March 31	
	1992	1991
Salaries	$ 858	$ 1,046
Benefits	204	191
Net occupancy	160	185
Equipment	98	83
Business development	46	30
Professional fees	515	140
Communications and supplies	164	185
Data processing	197	189
Taxes, other than income and payroll	43	20
Net expenses related to repossessed assets	17	59
Other	305	146
Total noninterest expenses	$ 2,607	$ 2,274

One factor influencing the increase in noninterest expenses for the three months ended March 31, 1992, as compared to the three months ended March 31, 1991, relates to expenses and losses incurred in payment of professional fees and other administrative expenses associated with the Corporation's Chapter 11 proceedings. These professional fees totaled approximately $515 thousand for the first three months of 1992, compared to $140 thousand for the first three months of 1991. Expenses associated with maintaining and disposing of repossessed real estate, excluding salaries and benefits, and net of operating income and gains of sales of repossessed assets totalled approximately $17,000 for the first three months of 1992, compared to $59,000 for the first three months of 1991. Net expenses related to repossessed assets for the three months ended March 31, 1992, and 1991 are summarized below:

Net Expenses Related to Repossessed Assets
(Dollars in Thousands)

	Three Months Ended March 31	
	1992	1991
Provision charged against operations	$ 22	$ 10
Maintenance and repairs	17	8
Taxes	19	75
Losses on sales of repossessed assets	16	7
Legal expenses	19	6
Insurance	18	1
Consultants	1	38
Total expenses	112	145
Less income from repossessed assets	(95)	(86)
Total net expenses	$ 17	$ 59

FINANCIAL CONDITION

The following schedule shows average earning assets and funding sources of the Corporation for the three months ended and the three months ended March 31, 1992, and 1991:

Earning Assets and Funding Sources
(Dollars in Millions)

	Averages for Three Months Ended March 31		$ Increase (Decrease)	% Increase (Decrease)
	1992	1991		
Earning Assets:				
Loans	$ 106	$ 153	(47)	(30.72)%
Investment securities	72	63	9	14,29
Time deposits with banks	1	---	1	100.00
Other earning assets	13	22	(9)	(40.91)
Total earning assets	$ 192	$ 238	$ (46)	(19.33)%
Sources of Funds:				
Interest-bearing liabilities:				
Savings, Now, and Money Market deposits	$ 62	$ 86	$ (24)	(27.91)
Time deposits	101	123	(22)	(17.89)
10% Convertible Subordinated Debentures	25	25	---	---
Other borrowings	8	8	---	---
Total interest-bearing liabilities	196	242	(46)	(19.01)
Net investable noninterest-bearing deposits	16	15	1	6.67
Total sources of funds	$ 212	$ 257	$ (45)	(17.51)%

Asset and Liability Management

Net interest income can be vulnerable to wide fluctuations arising from changes in the market interest rates because the average yield on assets responds differently to such changes than does the average cost of funds. In an effort to minimize the effects of changes in the general level of market interest rates, the Corporation actively manages the repricing characteristics of its assets and liabilities to control net interest rate sensitivity. Management's policy in recent years has been to confine interest rate sensitivity gaps to short-term repricing periods of one year or less, while maintaining a conservative long-term exposure.

An interest rate sensitivity gap position is a relative measure of how the interest rate of an asset or liability changes when market interest rates change. A positive rate sensitivity gap exists when rate-sensitive assets exceed rate-sensitive liabilities. Generally, when a positive gap position exists, net interest income should increase during periods of rising interest rates. When a negative gap position exists (when rate-sensitive liabilities exceed rate-sensitive assets), net interest income generally should increase during periods of declining interest rates. One measure of HBC's relative positions of interest rate-sensitive assets and liabilities as of March 31, 1992, is shown in the following table. The interest rate sensitivity table shows that the cumulative gap position was negative by $21.4 million during the 30-day or less time frame as HBC's short-term money market instruments and prime rate based loans were being funded by longer term deposits. The cumulative gap position continued interest rate liability sensitive in the 31-day to 365-day time frame. The one-year interest rate sensitivity gap position was negative, or interest-sensitive liabilities exceeded interest-sensitive assets by $52.6 million, or 27.5% of total interest-bearing liabilities due within one year.

At March 31, 1992, the Corporation's relative positions of interest rate-sensitive assets and liabilities were as follows:

Interest Rate Sensitivity
(Dollars in Thousands)

	March 31, 1992					
	Cumulative Volumes Subject to Repricing Within					
	30 Days	90 Days	180 Days	1 Year	Nonrate-Sensitive	Total
Loans.............	$ 41,371	$ 7,465	$ 7,001	$ 11,590	$ 35,151	$102,578
Investment........	4,659	2,554	2,560	14,384	50,817	74,974
Other earning assets..........	12,600	485	780	95	0	13,960
Total earning assets........	$ 58,630	$ 10,504	$ 10,341	$ 26,069	$ 85,968	$191,512
Interest-bearing deposits........	$ 80,074	$ 35,842	$ 26,960	$ 15,290	$ 4,395	$162,561
Other interest-bearing liabilities........	---	---	---	---	32,554	32,554
Total interest-bearing liabilities...	80,074	35,842	26,960	15,290	$ 36,949	$195,115
Rate sensitivity gap.............	$(21,444)	$(25,338)	$(16,619)	$ 10,779		
Cumulative rate sensitivity gap.	$(21,444)	$(46,782)	$(63,401)	$(52,622)		
Rate sensitivity ratio...........	0.73	0.29	0.38	1.70		
Cumulative rate sensitivity gap.	0.73	0.60	0.56	0.67		
Gap as a % of earning assets..	(11.20)%	(13.23)%	(8.68)%	5.63%		
Cumulative gap as a % of earning assets..........	(11.20)%	(24.43)%	(33.11)%	(27.48)%		

Investment Securities

The following schedule summarizes the adjusted cost of the Corporation's investment securities portfolios as of the end of March 31, 1992, and 1991, and December 31, 1991:

Investment Securities
(Dollars in Thousands)

	March 31		December 31
	1992	1991	1991
U. S. Treasury and government agency securities	$ 58,631	$ 18,823	$ 49,342
Mortgage backed securities	14,968	44,599	17,829
Obligations of states and political subdivisions:			
Tax-exempt	643	1,723	963
Taxable	283	612	478
Other	254	404	254
	$ 74,974	$ 66,161	$ 68,866

Loans

Total loans for the Corporation continue to decrease because new loans are being exceeded by repayments of existing loans in the ordinary course of business, transfers of existing loans to repossessed assets and charge-offs of existing loans. New loans have declined primarily due to weak loan demand in the markets served by the Corporation.

The following schedule summarizes the Corporation's loan portfolios as of March 31, 1992, and 1991, and December 31, 1991:

Loans
(Dollars in Thousands)

	March 31		December 31
	1992	1991	1991
Commercial and industrial	$ 13,280	$ 29,627	$ 15,727
Construction and land development	10,340	11,285	11,061
Real estate mortgage	35,379	38,874	38,096
Consumer	46,980	72,080	47,443
Total loans	105,979	151,866	112,327
Unearned discounts	(3,401)	(7,323)	(4,067)
Loans, net of unearned discounts	$ 102,578	$ 144,543	$ 108,260

Commercial and Industrial Loans. This category includes loans primarily to small to mid-size businesses and professionals in the Corporation's market area. The Corporation typically looks to the borrowers' business cash flow as the principal source of repayment. In addition, these loans may be secured by the borrowers' accounts receivables, inventory, real estate or other assets. At March 31, 1992, this category also included a total of $761 thousand of participations originated by the Closed Banks.

Construction and Land Development Loans. Construction and land development loans include loans secured by real estate with original maturities of sixty months or less made to finance land improvements. The majority of the construction loans provided by NBC are for small commercial and retail developments. Construction loans decreased from the first quarter of 1991 to the first quarter of 1992 due to the lack of demand for new commercial and retail buildings, in conjunction with the payoff of existing loans, and secondarily to the transfer of existing loans to repossessed assets and charge-offs of existing loans.

Real Estate Mortgage Loans. Real estate mortgage loans include all other loans secured by real estate regardless of purpose and regardless of whether they were originated by one of the Corporation's subsidiaries or purchased from others and include loans secured by first mortgages or by junior liens. Real estate mortgage loans are comprised primarily of loans to finance owner-occupied commercial developments. This category also includes loans for raw land, small retail centers and other commercial residential properties.

Consumer Loans. At March 31, 1992, consumer loans included (i) 3.5 million of indirect automobile loans; (ii) $38.7 million of loans to individuals for household, family and other personal expenditures which may be unsecured or secured by assets other than real estate; and (iii) $374 thousand of guaranteed student loans. At March 31, 1992, this category included a total of $27.3 million of participations originated by the Closed Banks.

Allowance for Possible Credit Losses

The allowance for possible credit losses is maintained to cover estimated losses in the loan portfolio based on management's and the various boards of directors' assessment of factors affecting the allowance in light of circumstances known or anticipated at that time. In evaluating and establishing the allowance, consideration is given to such factors as management's evaluation of specific credits; historical loss experience; asset quality and delinquency trends; current and anticipated economic conditions and their impact on particular industries and borrowers; results of examinations by regulatory agencies; the level and composition of classified loans; loan concentrations; management depth and experience; and other subjective factors.

As the loan portfolios of the member banks are reviewed by bank and corporate management, loans are assigned a risk grading which is used to determine the reserve required by each. In addition to these specific allocations of reserves, an amount is set aside which is deemed appropriate to recognize the likelihood that there are credits in the portfolio which may present a risk of becoming uncollectible but which cannot yet be so identified. The Federal and State regulators conduct periodic examinations of the Corporation's member banks in order to evaluate the effectiveness of the Corporation's assessments.

Economic conditions in the markets served by the Corporation's member banks are continually changing. Therefore, management regularly reviews the loan portfolios and market conditions and makes appropriate adjustments to the allowance, which are reflected in the operations of the then current period.

As loans are determined to be uncollectible, they are charged against the allowance for possible credit losses. Recoveries of loans previously charged off are added back to the allowance. As loans are charged off, the allowance is reduced and provisions are charged against current operations to restore the allowance to an acceptable level.

At March 31, 1992, the allowance for possible credit losses was $7.0 million, or 6.9% of total loans net of discount, compared to $9.8 million or 6.8% at March 31, 1991. The high level of the allowance reflects weaknesses in certain sectors of the Texas economy, particularly real estate, as well as the Corporation's assessment of other factors affecting the allowance in light of current circumstances, including the subjective factors set forth above. A significant portion of the allowance for the periods presented in the table on the following page was attributable to general allocations as opposed to specific allocations for identified problem loans. Management considers the allowance for possible credit losses at March 31, 1992 to be adequate to provide for future credit losses inherent in the loan portfolio at that date.

The following is a summary of the allowance for possible credit losses for the three months ended March 31, 1992, and 1991:

Allowance for Possible Credit Losses
(Dollars in Thousands)

	Three Months Ended March 31	
	1992	1991
Balance at beginning of period	$ 7,155	$ 10,115
Loans charged off:		
Commercial and industrial	5	88
Construction & land development	---	---
Real Estate	66	122
Consumer	576	819
Total loans charged off	647	1,029
Recoveries of loans previously charged off:		
Commercial and industrial	51	82
Construction & land development	---	---
Real estate	161	96
Consumer	168	170
Total recoveries	380	348
Net charge-offs	(267)	(681)
Provision for possible credit losses	173	425
Balance at end of period	$ 7,061	$ 9,859

Nonperforming Assets

Overall weakness in economic conditions has contributed greatly to the level of nonperforming assets held by NBC, and the continued softness of the Texas real estate markets has hampered NBC's efforts to substantially reduce its level of nonperforming assets.

A summary of the Corporation's nonperforming assets and past due loans at March 31, 1992, and 1991, and December 31, 1991, follows:

Nonperforming Assets
(Dollars in thousands)

	March 31		December 31
	1992	1991	1991
Nonaccrual loans	$ 5,720	$ 12,298	$ 6,451
Repossessed assets	5,577	5,238	5,253
Total nonperforming assets	$ 11,297	$ 17,536	$ 11,704
Nonperforming assets as a percent of total loans and repossessed assets	10.45%	10.82%	10.31%
Nonperforming and 90-day past due assets as a percent of total loans and repossessed assets	10.89%	12.01%	11.23%
Nonaccrual loans as a percent of total loans	5.58%	8.51%	5.96%
Allowance for possible credit losses as a percent of restructured and nonaccrual loans	123.44%	80.17%	110.91%
Accruing loans past due 90 days or more	$ 485	$ 1,927	$ 1,039

Nonaccrual loans are those on which the recognition of interest income has been suspended. Loans are placed on nonaccrual status when they become 90 or more days past due and are not well collateralized and in the process of collection or when, in the judgment of management, the collectibility of the loans or accrued interest thereon becomes doubtful. In evaluating and establishing whether a loan should be placed on nonaccrual status, consideration is given to such factors as management's evaluation of specific loans; current and anticipated economic conditions and their impact on particular industries and borrowers; results of examinations by regulatory agencies; management depth and experience; and other subjective factors.

Restructured loans are generally those in which the borrower is experiencing financial difficulty and NBC makes a concession that it would not ordinarily consider. Repayment terms may be modified, interest rates may be adjusted and interest payments deferred or otherwise modified. During the periods reported, none of the Corporation's banks had any restructured loans.

Repossessed assets include collateral that has been actually or substantively repossessed. Substantive repossessions of collateral occur in situations where it is determined that the primary risks and rewards of collateral ownership have passed from the debtor to the lender, even though formal repossession has not occurred, including situations where it is determined that (1) the debtor has little or no equity in the collateral, (2) repayment proceeds can be expected only from operation or sale of the collateral, and (3) the debtor has either formally or effectively abandoned control of the collateral or it is doubtful the debtor will be able to build equity in the collateral or otherwise repay the loan. Collateral that has been substantively repossessed is accounted for in the same manner as collateral that has been formally repossessed. Substantive repossessions at the end of the first quarter of 1992 were $1.9 million compared to $380 thousand at the end of the first quarter of 1991.

Repossessed assets, principally real estate, have been adjusted to reflect current fair values (if lower than cost). Management of the Corporation has made valuations of these properties based on independent appraisals prepared by professionally designated appraisers adhering to both regulatory appraisal guidelines and nationally recognized appraisal standards of professional practice. Each asset over a minimal value is periodically monitored by management for value fluctuations and generally is reappraised by an independent appraiser at least annually. Appraisals are reviewed by management to assure that reporting requirements are met. These include the use of appropriate approaches to value properties, the inclusion of all pertinent appraisal data and the overall reasonableness of the value conclusion. Future values will depend on, among other factors, the economic conditions in the markets where the properties are located.

A valuation allowance is established on other real estate through the provision for other real estate losses charged to operations. The valuation allowance on other real estate is maintained to cover estimated reductions in fair values of repossessed assets based on management's assessment of factors affecting asset values in light of current circumstances. The valuation allowance has been allocated to specific properties.

The following is a summary of nonperforming assets by loan classification as of March 31, 1992:

Nonperforming Assets by Loan Classification
(Dollars in Thousands)

	Nonaccrual	Repossessed Assets	Total	Percent of Total
Commercial and industrial	$ 134	$ 821	$ 955	8.5%
Construction and land development............	1,436	306	1,742	15.4
Real estate mortgage.....	4,106	4,344	8,450	74.8
Consumer.................	44	106	150	1.3
Total................	$ 5,720	$ 5,577	$11,297	100.0%

The following is a summary of nonperforming assets by market area at March 31, 1992.

Nonperforming Assets by Entity
(Dollars in Thousands)

	Nonaccrual	Repossessed Assets	Total	Percent of Total
NBC of Texas (Parent Company).......	$ ---	$ 1,788	$ 1,788	15.8%
NBC Bank-Eagle Pass......	4,797	3,078	7,875	69.7
NBC Bank-Laredo..........	491	89	580	5.1
NBC Bank-Rockdale........	432	622	1,054	9.4
Total	$ 5,720	$ 5,577	$11,297	100.0%

Funding

The principal source of funds for the Corporation's member banks is deposits. Average deposits for the first quarter of 1992 were $190 million, compared to $238 million during the first quarter of 1991. Market concerns regarding economic conditions in the region and the condition of the Corporation and its member banks have resulted in a decrease in the sources of funds for the Corporation.

Average deposits and average rates paid on all deposits for the three months ended March 31, 1992, and 1991, were as follows:

Average Deposits
(Dollars in Thousands)

	Three Months Ended March 31			
	1992		1991	
	Amount	Rate	Amount	Rate
Noninterest-bearing demand deposits..	$ 26,441		$ 29,516	
Savings and Money Market deposits....	62,206	4.80%	85,536	5.48%
Time deposits........................	100,907	5.63%	122,642	6.98%
Total..............................	$ 189,554		$ 237,694	

At March 31, 1992, time certificates of deposits in denominations of $100,000 or more with maturities of six months or less were $11.7 million, which represent 11.7% of total deposits. This compares to $24.3 million, or $10.2 of total deposits a year ago. These time deposits are as rate sensitive as the markets where the Corporation's subsidiaries are located. Rates differ in various markets; however, the Corporation's policy is to pay competitive rates in the markets it serves.

The following table presents the maturity distribution of certificates of deposit greater than $100,000 as of March 31, 1992:

Time Deposit Maturities
(Dollars in Thousands)

	March 31, 1992
Three months or less................	$ 18,769
Over three through six months.......	3,400
Over six through twelve months......	1,625
Over twelve months..................	---
	$ 23,794

Deposits from Mexico continue to be a significant funding source for the Corporation. Mexican deposits at March 31, 1992 totaled $67.7 million or 35.9% of total deposits compared to $77.9 million or 32.8 of total deposits a year ago.

Public fund deposits represent another funding source for the Corporation. Public fund deposits decreased from $35.2 million or 14.8% of total deposits at March 31, 1991 to $6.6 million or 3.5% of total deposits at March 31, 1992.

Capital Resources

At March 31, 1992, two of the Corporation's remaining banking subsidiaries had capital levels which were greater than the minimum required by the regulators. However, Eagle Pass did not meet the required Risk Based level.

Of the Corporation's three subsidiary banks at March 31, 1992, the stock of two banks, which together represent 69.1% of the shareholder's equity in all of the Corporation's banking subsidiaries, are pledged to Team Bank (formerly Texas American Bank-Ft. Worth, N.A. ("TAB/FW") to secure the $4.95 million outstanding on the Corporation's line of credit from Team Bank. The three remaining banking subsidiaries of the Corporation had a net income aggregating approximately $497 thousand for the period ended March 31, 1992.

The following table shows total capital for each of the three banks as of March 31, 1992:

	Total Capital	Risk Weighted Capital Ratio	Leverage Capital Ratio
NBC Bank-Eagle Pass, N.A.	$ 2,536	4.89%	2.32%
NBC Bank-Laredo, N.A.	$ 5,169	23.21%	12.62%
NBC Bank-Rockdale	$ 3,452	17,97%	6.81%

Liquidity

The overall liquidity of the Corporation and its subsidiary banks is maintained through the continual review and control of the maturity structure of the subsidiaries' balance sheets. Liquidity is afforded by access to financial markets and by holding appropriate amounts of liquid assets, which provides the Corporation's subsidiary banks with the ability to meet financial obligations to depositors and loan customers.

Liquid assets are composed of cash and near-cash items including deposits with other banks, Federal funds sold, obligations of the United States Treasury and governmental agencies securities, obligations of states and political subdivisions and short-term investments which can be readily converted to cash. As shown on the Consolidated Statements of Cash Flows, cash and cash equivalents, defined as cash on hand, amounts due from banks (exclusive of time deposits with banks), and Federal funds sold, aggregated $22.7 million or 11.0% of total consolidated assets, on March 31, 1992. This compares to cash and cash equivalents of $42.4 million or 16.6% of total consolidated assets on March 31, 1991.

In addition, the market value of the Corporation's investment securities portfolio of $75.9 million at March 31, 1992, represents funds that could have been available for use to meet liquidity needs. Included in this amount are pledged securities of $9.0 million.

The primary source of net cash to the Corporation, as shown on the Consolidated Statements of Cash Flows, has been the reduction of the Corporation's investing activities, through reductions to net loans, net investment securities, repossessed assets and time deposits with other banks.

The Corporation continually monitors the funding and liquidity needs of its member banks. Management continues to rely primarily on traditional funding sources, principally deposits, for its funding needs. In light of current circumstances, management has developed alternate plans designed to supplement its funding sources, including plans to borrow from the Federal Reserve Bank in Dallas, if necessary.

Parent Company Funding and Liquidity

Historically, principal sources of liquidity for the parent company have been dividends and management fees from subsidiary banks, commercial paper and short-term borrowings. Due to operating losses during the past three years, the capacity of the Corporation's subsidiary banks to pay dividends to the parent company under current statutory and regulatory guidelines is minimal. The declaration of any dividends by subsidiary banks requires approval by the banks' boards of directors, and the declaration of dividends in excess of statutorily permitted amounts also requires regulatory approval.

Until recently the primary sources of funds being utilized by the parent company include bank borrowings and management fees. Management fees were assessed against subsidiary banks for services performed on their behalf by the parent company. These services included, but were not limited to, the following: external audit services, accounting and financial planning services and data processing services. The amounts of such fees were based upon an allocation of the cost to the Corporation of providing these services. The bank regulators have questioned the propriety of management fees charged to member banks. Management is presently in discussions with appopriate regulatory authorities regarding the propriety of its management fees and the manner in which they have been assessed. Currently management fees are not being collected by the Corporation, and holding company expenses are being paid out of current cash reserves.

At March 31, 1992 the Corporation had drawn $4.95 million on its line of credit of $5.0 million from Team Bank, a successor to TAB/FW, the original lender. As security for the loan, the Corporation granted to TAB/FW a security interest in all the capital stock of Eagle Pass, Laredo, and the former NBC Bank-Rio Grande Valley, N.A. (closed by the FDIC on June 1, 1990) (the "Collateral Subsidiaries").

At March 31, 1992 the remaining Collateral Subsidiaries represented approximately 64.5% of the consolidated banking assets of the Corporation and had approximately $7.7 million in shareholders' equity, which accounted for aproximately 69.1% of the remaining positive shareholders' equity in all the Corporation's subsidiary banks.

Other than the line of credit with Team Bank, the Corporation's other borrowed funds consist primarily of $25.0 million in 10% Convertible Subordinated Debentures due 2006. Additionally, in connection with the acquisition of various banks over the years, the Corporation has assumed the responsibility to pay 10% Subordinated Debentures which began maturing serially in 1989 and will continue through 1993 and 9% Subordinated Debentures maturing in 1995. Such debentures have no sinking fund requirements. At March 31, 1992, these obligations totaled approximately $2.6 million. Of the Corporation's long-term debt outstanding at December 31, 1990, approximately $0.4 million is scheduled to mature annually during the period 1992 and 1993, and the remainder will mature after 1993.

On January 29, 1990, the Board of Directors of the Corporation determined not to make payment on February 1, 1990, the scheduled $1.25 million interest payment on its $25.0 million 10% Convertible Subordinated Debentures. Under the terms of the governing indenture, this nonpayment of interest would have become an "Event of Default" on March 3, 1990. The debenture provides that the holders of a majority in aggregate principal amount of the debentures have the right to direct the trustee with regard to the time, method and place of conducting and proceeding for any remedy available to the Trustee.

On March 2, 1990, the Board of Directors of the Corporation determined to make the interst payment on its $25.0 million 10% Convertible Subordinated Debentures and sufficient funds were transferred to the Trustee to avoid such default under the terms of the governing indenture. The interest payment of $1.25 million plus interest on that amount at 10% per annum was made on March 27, 1990, to bondholders of record on March 19, 1990.

Because of the Corporation's filing of the Chapter 11 proceedings on June 8, 1990, the Corporation is prohibited from making further debt payments without the authorization of an order issued by the Bankruptcy Court. The Corporation will resolve these debt obligations in accordance with the Third Amended Plan of Reorganization confirmed by the Bankruptcy Court. For a discussion of the Plan of Reorganization, see "Current Status of the Corporation."

AVERAGE BALANCE SHEETS
(Dollars in Thousands)

	1992	1991			
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Assets:					
Federal funds sold	$ 12,584	$ 13,805	$ 15,985	$ 18,854	$ 21,549
Time deposits with banks	1,414	1,528	627	408	217
Investment securities:					
Taxable	71,469	66,804	67,988	70,087	61,757
Tax-exempt	779	1,039	1,437	1,727	1,964
Loans, net of discounts	105,780	112,667	123,412	137,271	153,321
Total earning assets	192,026	195,843	209,449	228,347	238,807
Allowance for possible credit losses	(7,131)	(7,568)	(8,026)	(9,447)	(10,056)
Cash and due from banks	10,472	10,557	11,730	11,729	14,178
Premises and equipment	4,026	4,077	4,166	4,307	4,363
Other assets	7,735	8,076	8,542	8,048	8,633
	$ 207,128	$ 211,385	$ 225,861	$ 242,984	$ 255,926
Liabilities and Shareholders' Deficit:					
Savings, NOW and Money Market deposits	$ 62,206	$ 61,868	$ 70,917	$ 82,974	$ 85,536
Time deposits	100,907	105,293	110,969	115,070	122,642
10% Convertible Subordinated Debentures	25,000	25,000	25,000	25,000	25,000
Other borowings	7,554	7,554	7,554	7,554	7,554
Total interest-bearing liabilities	195,667	199,715	214,440	230,598	240,732
Demand deposits	26,441	26,480	26,293	261,782	29,516
Other liabilities	5,163	4,883	4,579	4,117	3,704
Shareholders' deficit	(20,143)	(19,693)	(19,451)	(18,513)	(18,027)
	$ 207,128	$ 211,385	$ 225,861	$ 242,984	$ 255,926
Deposit distribution:					
Noninterest-bearing	14.0%	13.7%	12.6%	11.9%	12.4%
Time	53.2	31.9	53.3	51.2	51.7
Other interest bearing	32.8	54.4	34.1	36.9	35.9
	100.0%	100.0%	100.0%	100.0%	100.0%

TAXABLE EQUIVALENT STATEMENTS OF OPERATIONS
(Dollars in Thousands, Except Per Share Amounts)

	1992 First Quarter	1991 Fourth Quarter	1991 Third Quarter	1991 Second Quarter	1991 First Quarter
Interest income:					
Loans..................	$ 2,728	$ 2,963	$ 3,200	$ 3,695	$ 4,525
Time deposits with banks................	21	24	9	8	3
Federal funds sold.....	125	168	228	272	330
Investment securities:					
Taxable..............	1,177	1,148	1,159	1,149	1,058
Tax-exempt...........	24	33	47	45	59
Total interest income	4,075	4,336	4,643	5,169	5,975
Interest expense:					
Savings, NOW and Money Market deposits......	539	656	859	1,011	1,156
Time deposits..........	1,104	1,382	1,575	1,765	2,112
Federal funds purchased	---	1	---	---	---
Other short-term funds.	---	---	---	---	---
10% Convertible Subordinated Debentures...		---	---	---	---
Other borrowings.......	131	126	127	95	130
Total interest expense............	1,774	2,165	2,561	2,871	3,398
Net interest income..	2,301	2,171	2,082	2,298	2,577
Provision for possible credit losses........	173	140	90	135	425
Net interest income (expense) after provision for possible credit losses........	2,128	2,031	1,992	2,163	2,152
Noninterest income:					
Trust income...........	(6)	6	11	(1)	6
Service charges on deposits............	328	354	366	345	311
Other service charges..	85	30	83	58	124
Investment securities transactions.........	---	8	3	37	68
Other..................	66	49	527	31	11
Total noninterest income.............	473	447	990	470	520
Noninterest expenses:					
Salaries and benefits..	1,062	1,537	1,085	1,280	1,237
Net occupancy..........	160	94	162	160	185
Equipment..............	98	142	112	120	83
Net expenses related to repossessed assets...	17	(11)	182	132	59
Other..................	1,270	1,239	1,637	2,012	710
Total noninterest expenses...........	2,607	3,001	3,178	3,704	2,274
Income(loss) before taxes................	(6)	(523)	(196)	(1,071)	398
Taxable equivalent adjustments.........	16	20	24	23	30
Income(loss) before taxes................	(22)	(543)	(220)	(1,094)	368
Income tax expense (benefit)............	---	---	---	---	---
Net income(loss).....	$ (22)	$ (543)	$ (220)	$ (1,094)	$ 368
Per share:					
Primary................	$ (.00)	$ (.05)	$ (.02)	$ (.09)	$ .03
Fully diluted..........	$ (.00)	$ (.05)	$ (.02)	$ [illegible]	.03

C2

AVERAGE INTEREST RATES AND SELECTED OPERATING FINANCIAL RATIOS
(Taxable Equivalent Basis)

	1992	1991			
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Yields on earning assets:					
Time deposits with banks	5.93	6.12%	5.98%	7.51%	6.04%
Federal funds sold	3.97	4.84	5.67	5.76	6.22
Investment securities:					
Taxable	6.60	6.81	6.76	6.57	6.95
Tax-exempt	12.51	12.88	13.00	10.31	11.98
Loans, net of discounts	10.35	10.43	10.29	10.80	11.97
Other earning assets	---	---	---	---	---
Total earning assets	8.51	8.78	8.79	7.08	10.15
Rates on interest-bearing liabilities:					
Savings, NOW and Money Market deposits	3.47	4.21	4.80	4.89	5.49
Time deposits	4.93	5.21	5.63	6.15	6.98
Federal funds purchased	---	---	---	---	---
Other short-term funds	---	---	---	---	---
10% convertible Subordinated Debentures	---	---	---	---	---
Long-term debt	6.98	6.64	6.64	5.05	6.98
Total interest-bearing liabilities	3.64	4.30	4.74	4.99	5.73
Average interest rate spread	4.88%	4.48%	4.05%	4.09%	4.42%
Ratio of interest-bearing liabilities to earning assets (average)	101.90%	101.98	102.38%	100.99%	100.81%
Average interest cost of earning assets (total interest expense as a percent of average earning assets)	3.71	4.38	4.85	5.04	5.77
Net interest margin (net interest income as a return on average earning assets)	4.81	4.40	3.95	4.03	4.38
Other selected ratios:					
Deficit to assets (average)	(9.7)	(9.3)	(8.6)	(7.6)	(7.0)
Loans to deposits (average)	55.8	58.2	59.3	61.1	64.5
Earning assets to total assets (average)	92.7	92.7	92.7	94.0	93.3

NATIONAL BANCSHARES CORPORATION OF TEXAS
DIRECTORS AND OFFICERS

DIRECTORS

RICHARD W. CALVERT
Chairman of the Board
National Bancshares Corporation
of Texas

MARK H. JOHNSON
President and (Principal Executive Officer,
Principal Financial Officer &
Principal Accounting Officer)
National Bancshares Corporation
of Texas

WALTER W. CORRIGAN
President
Corrigan Enterprises, Incorporated

JAMES V. GILLESPIE
Gillespie Ford

MARTIN GOLAND
President
Southwest Research Institute

H. FRED HAENISEGGER
President
Park Lane Investments, Inc.

RISHER RANDALL
Consultant: Investments in Commercial
Real Estate and Farming Operations

ARTHUR A. SEELIGSON, JR.
Oil/Investments

LOUIS H. STUMBERG
Del Monte U.S.A./Retired

H. B. ZACHRY, JR.
Chairman of the Board
H. B. Zachry Co.

Advisory Directors

A. FAYED
Investments

OFFICERS

MARK H. JOHNSON
President
(Principal Executive Officer,
Principal Financial Officer &
Principal Accounting Officer)

SHAREHOLDER INFORMATION

Executive Offices:
85 N. E. Loop 410
Suite 200
San Antonio, Texas 78216
(512) 340-4973

Stock Transfer Agent:
Nations Bank of Texas

Financial Contact:
Mark M. Johnson
President (Principal Executive Officer,
Principal Financial Officer and
Principal Accounting Officer)
85 N. E. Loop 410
Suite 200
San Antonio, Texas 78216
(512) 340-4973

DIRECTORY OF MEMBER BANKS

National Bancshares Corporation of Texas
85 N. E. Loop 410, Suite 200
San Antonio, Texas 78216

National Banking Associations

NBC Bank - Eagle Pass, N.A.
439 Main Street
Eagle Pass, Texas 78852
(512)773-2313

NBC Bank - Laredo, N.A.
I. H. 35 at Mann Road
Laredo, Texas 78041
(512)724-2424

State Banking Association

NBC Bank - Rockdale
140 East Cameron
Rockdale, Texas 76567
(512)446-5700

Equal Opportunity Employer

All NBC of Texas banks
are members FDIC

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

The Corporation and certain of its subsidiaries are defendants from time to time with respect to certain claims incidental to their businesses, including principally so-called lender liability claims in which borrowers, bankruptcy trustees, creditors and others assert claims that the Corporation or a subsidiary bank failed to act in good faith with respect to loan negotiations or workout practices or breached commitments to advance funds. Many of these claims have been asserted as counterclaims in lawsuits initiated by a subsidiary bank seeking to recover amounts due the bank as a result of delinquent loans. The following lawsuits are currently pending against the Corporation:

A. Hilton Development, Inc. et al. v. National Bancshares Corp. of Texas, J. Whetsell, G. Brown, P. Coyne, J. Mann, J. Rollins, G. Ferguson, et al., No. C-89-00144-02, now consolidated with Clash, Inc. d/b/a Pilgrim Laundry v. Hilton Development, Inc., et al. v. NBC Bank-Houston, N.A., et al., No. 87-06192, in the District Court of Harris County, Texas 133rd Judicial District.

This suit was filed on December 9, 1988, and Plaintiffs allege fraud, breach of promise, conspiracy, usury, violation of the Deceptive Trade Practices Act and negligent misrepresentation in connection with a construction loan. No discovery has been condued to date. Upon information and belief, trial had been set for March 1992. The automatic stay has not been lifted to allow prosecution of the suit against the Debtor to proceed.

B. Margaret Laymon v. NBC Bank-Edinburg a/k/a NBC Bank-Rio Grande Valley, N.A., National Bancshares Corporation of Texas, R. Calvert, M. Johnson, P. Rodriguez and FDIC, No. C-3844-87-D, in the District Court of Hidalgo County Texas, 206th Judicial District.

Plaintiff held two CD's styled in her name and Richard Laymon in First State Bank & Trust Company, Edinburg, which bank was placed into receivership and its assets and liabilities were purchased by NBC Bank-Rio Grande Valley. Plaintiff attempted to withdraw the CD's; however, she was unable to do so since they were being held to pay a debt owed by Richard Laymon. Plaintiff, asserting that Richard Laymon had no real ownership interest in the CD's, in 1987 sued for alleged violations of Deceptive Trade Practices Act and conversion. In March 1990, Plaintiff added the Corporation as a defendant alleging that the Corporation was directly involved in "holding" the CD's. The automatic stay has not been lifted to allow prosecution of the suit against the Corporation to proceed.

The FDIC, as Receiver for the former First State Bank, has indicated to the Corporation that pursuant to the terms of the Purchase and Assumption Agreement by which First State Bank assets and liabilities were purchased, the FDIC will indemnify thw Corporation in this matter.

C. Maria Magdalena Trevino as next friend of her son, Jesus Trevino, a person of unsound mind v. National Bancshares Corporation of Texas, Manuel Baez Flores and Sylvia Trevino, Cause No. C-90-00113-02, in the District Court of Webb County, Texas, 111th Judicial District.

Plaintiff was injured in an auto accident involving an employee of the Corporation or its then affiliate, NBC Bank-San Antonio (which bank is now in an FDIC receivership), engaged in the employer's business. Defendant's insurer reached a settlement which Plaintiff, via next of friend, seeks to overturn alleging that as a result of the accident, Plaintiff was rendered incompetent and that Plaintiff's then wife and the Defendants defrauded Plaintiff by entering into a settlement agreement which allowed the wife to receive the settlement proceeds. Bancshares' insurer has assumed the defense. The automatic stay has not been lifted to allow prosecution of the suit against the Corporation to proceed.

D. NBC Bank-San Antonio, N.A. v. E. W. Schrader and Nell Y. Schrader v. National Bancshares Corporation of Texas, Cause No. 89-CI-08760, in the District Court of Bexar County, Texas, 224th Judicial District.

NBC Bank-San Antonio filed suit to collect on a note owed by Defendant Schrader. Defendant Schrader alleges he was induced to obtain the loan and remit the proceeds to NBC Bank-Corpus Christi to pay sums allegedly due the latter bank by Defendant's son, under an agreement with the Corporation that no action would be taken against his son. Defendant claims that the Corporation breached this contract--as a referral on the son's activities was made to the bonding company--and Defendant, therefore, in November 1989, added Bancshares as a Third-Party Defendant in this matter. Defendant alleges breach of contract and seeks cancellation of all notes. The automatic stay has not been lifted to allow prosecution of the suit against the Corporation to proceed.

The Bankruptcy Code provides that any actions against the Corporation, a debtor-in-possession, are automatically stayed and cannot be further pursued without the prior approval of the Bankruptcy Court. As discussed herein, confirmation of the Third Amended Plan of Reorganization results in the Corporation being discharged from any debt or liability on a claim that arose prior to the confirmation date regardless of whether: 1) a proof of claim based on such debt is filed or deemed to have been filed, 2) such claim is allowed, or 3) the holder of such claim has accepted the Third Amended Plan of Reorganization. Further, under the Corporation's Third Amended Plan of Reorganization, holders of claims against and equity interests in the Corporation will generally be enjoined from commencing, continuing, or otherwise taking any action or proceeding with respect to any claim or equity interest or otherwise asserting any claim against the Corporation.

The Bank Secrecy Act and applicable regulations require financial institutions to file Currency Transaction Reports ("CTRs") with the IRS providing certain information regarding cash transactions in excess of $10,000 by customers who are not exempt from the requirement ("Covered Transactions"). In July 1986, Eagle Pass reported to the Treasury Department that it could not confirm that Eagle Pass had timely filed certain CTRs with respect to what were believed to be Covered Transactions. Details regarding the transactions were provided to the Treasury, and Eagle Pass instituted additional procedures to ensure that all required CTRs were filed. Supplemental information has been provided to the Treasury, with the last correspondence occurring in early 1989. Eagle Pass has not been advised what, if any, remedial action will be required by the Treasury.

The Corporation and its subsidiaries own various parcels of real estate, including bank premises and a large number of parcels acquired through foreclosure or otherwise obtained in partial satisfaction of debts owed the banks. Certain of these parcels may contain hazardous materials or otherwise give rise to claims against the banks for environmental contamination, clean up costs or other liability derived from applicable state or federal statutory or common law and regulations. No claims against the Corporation or its Subsidiaries have been asserted at this time.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Analysis of Results of Operations--Current Status of the Corporation."

As previously disclosed, the Corporation was advised by its actuaries that if the Corporation were to continue sponsorship of the Corporation's pension plan ("Pension Plan") at its present level or terminate it under applicable law, such options may have a material adverse impact on the Corporation's efforts to undergo a successful reorganization. In this connection, the Corporation had previously entered into a letter agreement dated February 28, 1991 ("Letter Agreement") with NationsBank providing, among other things, for the global settlement of a number of issues including, without limitation, the assumption by NationsBank of the sponsorship of the Corporation's Pension Plan. However, NationsBank had indicated that it would not assume sponsorship of the Pension Plan despite the Letter Agreement, and, to avoid expensive and protracted litigation, the Corporation and NationsBank have been engaging in settlement discussions by exploring the possibility of modifying the Letter Agreement.

The Corporation and NationsBank have now reached a successful conclusion to such settlement discussions to modify the Letter Agreement, and the Bankruptcy Court by order dated April 23, 1992 has approved the terms of the settlement agreement. Generally, the settlement with NationsBank provides for the transfer of certain assets and liabilities of the Corporation's Pension Plan to NationsBank pursuant to section 414(l) of the Internal Revenue Code. While this transfer enables the Corporation to consider the option of terminating or continuing sponsorship of the portion of the Pension Plan that is remaining with the Corporation, the Corporation has been advised by its actuaries that due to the fluctuation in interest rates and other market forces there can be no assurance that the continuation in sponsorship or termination of the Corporation's portion of the Pension Plan could be achieved in a manner that would not result in a material adverse impact on the financial condition of the Corporation or its subsidiary banks in the future.

As also previously disclosed, the Internal Revenue Service ("IRS") may attempt to assert a substantial claim for income taxes against the Corporation based on the FDIC's provision of assistance in connection with the transactions pursuant to which the assets and liabilities of the Corporation's Closed Banks were transferred to NationsBank on June 1, 1990. In May of 1990, prior to the date the Closed Banks' assets and liabilities were transferred to NationsBank, the Corporation conveyed (the "Transfer") 21% of the stock of its Closed Banks and 21% of the stock of Eagle Pass to Bellarmino Limited, an Irish subsidiary of the Corporation. Among other consequences, management believes that, as a result of the Transfer, the Closed Banks and Eagle Pass became ineligible to continue filing consolidated federal tax returns as members of the affiliated group of which NBC is the common parent (the "NBC Group"). If the Transfer is respected by the IRS, any potential liability of NBC for taxes attributable to the provision of assistance may be eliminated. On the other hand, the IRS may argue that the Transfer did not effectively eliminate the tax liability attributable to the FDIC's provision of assistance. The Corporation has also taken an additional step to attempt to ensure that the Closed Banks were not members of the NBC Group at the time the FDIC provided financial assistance to NationsBank with respect to the Closed Banks. This additional step involved the filing on December 10, 1991 of an application to deconsolidate under IRS Revenue Procedure 91-11.

The final resolution of the Corporation's deconsolidation efforts is significant to the Corporation. While the IRS has not indicated whether or not it will respect the Corporation's deconsolidation efforts, the Corporation is aware of no apparent reason why relief should not be granted. Nevertheless, should the IRS successfully contend that both the Transfer and the subsequent application to deconsolidate pursuant to IRS Revenue Procedure 91-11 were ineffective, the Corporation believes it has a reasonable legal position that the provision of FDIC assistance to NationsBank did not result in net taxable income to the consolidated group of which NBC was then and is now the common parent. If neither the Corporation's deconsolidation efforts nor its legal position is successful, the Corporation could be liable for federal income taxes attributable to the payment of assistance by the FDIC to NationsBank. The Corporation believes that it is possible that any such income tax liability could virtually eliminate all potential recoveries to the Corporation's creditors and therefore may have a material adverse impact on the reorganization efforts as well as the financial condition of the Corporation and its subsidiary banks. It is also possible, however, that the IRS may adopt as final regulations proposed regulations that may reduce or eliminate the Corporation's exposure for such taxes regardless of whether the IRS accepts the Corporation's deconsolidation efforts.

Item 6. Exhibits and Reports on Form 8-K

a. The following are filed as part of this report:

Exhibit 11 Statement re: Computation of Loss Per Share

b. Reports on Form 8-K

No reports on form 8-K were filed during the Quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NATIONAL BANCSHARES
CORPORATION OF TEXAS

Mark M. Johnson

Mark M. Johnson
President
(Principal Executive Officer, Principal
Financial Officer and Principal
Accounting Officer)

Dated: May 12, 1992

EXHIBIT INDEX

Exhibit No.	Description of Exhibit	Sequentially Numbered Page
11	Statement re: Computation of Earnings (Loss) Per Share	63

NATIONAL BANCSHARES CORPORATION OF TEXAS
COMPUTATION OF EARNING (LOSS) PER SHARE
(Dollars in Thousands, Except Per Share Amounts)

	Three Months Ended March 31	
	1992	1991
Primary:		
Net income (loss)	$ (22)	$ 368
Weighted average number of shares outstanding	11,869,516	11,869,516
Per share	$ (.00)	$ .03
Fully Diluted:		
Net income (loss)	$ (22)	$ 368
Adjustment for interest expense, net of Federal income tax effect applicable to common shares in connection with 10% Convertible Subordinated Debentures	$ ---	$ ---
Adjusted net income (loss)	$ (22)	$ 368
Weighted number of common shares outstanding	11,869,516	11,869,516
Weighted number of common shares issuable in connection with 10% Convertible Subordinated Debentures	1,133,005	1,133,005
Per Share	$ (.00)	$ .03

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

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FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Fiscal Quarter Ended March 31, 1992

Commission File Number 0-577

BEST COPY AVAILABLE

PACKAGE MACHINERY COMPANY
(Exact name of registrant as specified in its charter)

Delaware	04-1697760
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

24 West Street, Stafford Springs, CT	06076
(Address of principal executive offices)	(Zip Code)

Registrant's tel. no., including area code: 203 684-5894

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes x No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 8, 1992
Common Stock, $1 Par Value	1,236,026 shares

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EXHIBIT INDEX

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PART 1 FINANCIAL INFORMATION

PACKAGE MACHINERY COMPANY
Consolidated Statements of Operations
For the Three Months Ended March 31, 1992 and 1991
(Dollars in Thousands Except Per Share Amounts)
(Unaudited)

	1992	1991
Net Sales	$ 8,608	12,905
Operating Costs:		
Cost of Sales	5,183	7,902
Selling, administrative and engineering expense	3,931	3,771
Interest expense	115	190
Other expense	121	54
Total operating costs	9,350	11,917
Earnings (loss) before income taxes and extraordinary item	<742>	988
Income taxes	-	395
Earnings (loss) before extraordinary item	<742>	593
Extraordinary item: Reduction of income taxes arising from carryforward of prior years' operating losses	-	395
Net earnings (loss)	$ <742>	988
Earnings (loss) per common share:		
Net earnings (loss) per share before extraordinary item	<.60>	.54
Extraordinary item	-	.36
Net earnings (loss) per share	$ <.60>	.90
Weighted average shares outstanding	1,236,026	1,093,170

See accompanying notes to consolidated financial statements.

PACKAGE MACHINERY COMPANY
Consolidated Balance Sheets
March 31, 1992 and December 31, 1991
(Dollars in Thousands)
(Unaudited)

	March 31, 1992	Dec. 31, 1991
ASSETS		
Current assets:		
Cash	$ 644	252
Receivables, net	5,817	8,561
Inventories, at LIFO Cost:		
Finished goods	1,091	1,037
Work in process	7,987	6,769
Raw materials	336	366
Total inventories	9,414	8,172
Other current assets	772	736
Total current assets	16,647	17,721
Fixed assets at cost	8,686	8,705
Less accumulated depreciation	5,041	5,222
Fixed assets, net	3,645	3,483
Cost in excess of net assets acquired	811	849
Prepaid pension costs, net	4,670	4,491
Other non-current assets	1,330	1,349
Assets held for sale	3,625	3,625
Total assets	$ 30,728	31,518
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	3,339	2,999
Customers' advance payments	4,902	3,212
Current portion of long-term debt	526	454
Accrued expenses	1,975	2,322
Net liabilities of discontinued product line	567	674
Total current liabilities	11,309	9,661
Long-term debt, net of current portion	7,649	9,289
Other non-current liabilities	1,348	1,404
Total liabilities	20,306	20,354
Shareholders' equity:		
Common stock $1 par value: authorized 4,000,000 shares; issued 1,236,026	1,236	1,236
Additional paid-in capital	6,979	6,979
Retained earnings	2,436	3,178
Amount related to recording minimum pension liability	(229)	(229)
Total shareholders' equity	10,422	11,164
Total liabilities and shareholders' equity	$ 30,728	31,518

See accompanying notes to consolidated financial statements.

PACKAGE MACHINERY COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Three Months ended March 31, 1992 and 1991
(Dollars in Thousands)
(Unaudited)

	1992	1991
Cash provided by (used for) operating activities:		
Cash received from customers	$ 13,004	11,831
Cash paid to suppliers and employees	(10,471	(11,599)
Interest paid	(180)	(235)
Sundry income (expense)	15	(28)
Net cash provided by (used for) operating activities	2,368	(31)
Cash provided by (used for) investing activities:		
Capital expenditures	(197)	(93)
Proceeds from sale of fixed assets	44	-
Cost in excess of net assets acquired	(27)	-
Net cash provided by (used for) investing activities	(180)	(93)
Cash provided by (used for) financing activities:		
Net borrowings (paydowns) under line-of-credit	(1,650)	(225)
Principal payments on long-term debt	(146)	(125)
Net cash provided by (used for) financing activities	(1,796)	(350)
Net increase (decrease) in cash	392	(474)
Cash at beginning of year	252	474
Cash at end of period	$ 644	-

See accompanying notes to consolidated financial statements.

PACKAGE MACHINERY COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS-CONTINUED

	1992	1991
Reconciliation of net earnings (loss) to net cash provided by (used for) operating activities:		
Net earnings (loss)	$ (742)	988
Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	148	225
Amortization of cost in excess of net assets acquired	65	26
Provision for losses on receivables	38	12
Loss on sale of fixed assets	71	-
(Increase) decrease in receivables	2,706	(448)
(Increase) decrease in inventories	(1,242)	1,123
(Increase) decrease in other current assets	(36)	(17)
(Increase) decrease in other non-current assets	(160)	(207)
Increase (decrease) in accounts payable and accrued expenses	(114)	(1,064)
Increase (decrease) in customers' advance payments	1,690	(626)
Increase (decrease) in other non-current liabilities	(56)	(43)
Total adjustments	3,110	(1,019)
Net cash provided by (used for) operating activities	$ 2,368	(31)

Supplemental schedule of noncash investing and financing activities:

Capital lease obligations of $228 were incurred in 1992 when the Company entered into lease agreements for fixed assets.

See accompanying notes to consolidated financial statements.

PACKAGE MACHINERY COMPANY

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

1. In the opinion of the Company, the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of March 31, 1992 and 1991, and the results of operations and cash flows for the three month periods then ended.

2. The results of operations for the three months ended March 31, 1992 may not be indicative of the results to be expected for the full year.

3. The Company is involved in a number of product liability lawsuits incidental to its business. The Company believes the lawsuits will not have a material adverse effect on its financial condition.

4. On March 12, 1992 the Company received commitments from lenders which are affiliated with the Company's Chairman and President, whereby the Company can borrow up to $1 million through July 1, 1993 at the Connecticut National Bank base rate plus 1%. The debt will be unsecured and subordinate to the Company's revolving credit facility and Connecticut Development Authority Industrial Development Bonds. On May 7, 1992, the Company's unsecured revolving credit agreement and Connecticut Development Authority Industrial Development Bonds Agreement were amended to change certain financial covenants, to permit the aforementioned borrowings and to provide a $1 million overline at the bank's base rate plus 1/2%, expiring December 31, 1992.

PACKAGE MACHINERY COMPANY

Management Discussion and Analysis of Financial Condition and Results of Operations

The Company's first quarter of 1992 net loss of $.7 million compares unfavorably with the $1 million net earnings for the same period of 1991. The change from earnings to a loss results primarily from the $4.3 million decline in sales in the first quarter of 1992 compared with the first quarter of 1991. The sales decline is indicative of the decline in backlog that existed at December 31, 1991 and lower volume of system sales in 1992 compared to 1991. Backlog increased to $15.2 as of March 31, 1992 compared with $12.3 million at December 31, 1991.

Although net sales for the first quarter decreased in comparison with 1991, gross margins have remained relatively constant at 39.8% of sales in 1992 compared with 38.8% in 1991. The increase in gross margin percentage results primarily from the mix of products sold.

Selling, administrative and engineering expenses increased 4.2% in the first quarter of 1992 compared with 1991 and were 45.7% of sales in 1992 compared to 29.2% for the same period in 1991. The increased percentage of sales results from the high composition of fixed costs coupled with the decrease in sales volume. Interest expense decreased approximately $.1 million, primarily due to lower borrowings resulting from positive cash flow from operations as well as more favorable rates.

As a result of the above, the Company experienced a net loss of $.7 million in the first quarter of 1992 compared with net earnings of $1 million in the first quarter of 1991. In 1991, the availability of net operating loss carryforwards resulted in a reduction of income taxes by $.4 million which is reflected as an extraordinary item. The Company has net operating loss carryforwards of approximately $6.7 million available to reduce taxes in future periods.

The Company's working capital at March 31, 1992 of $5.3 million is a decrease of $2.7 million from December 31, 1991. The decrease resulted from the reduced sales volume in the first quarter of 1992 compared with the fourth quarter of 1991, the collection of accounts receivable and the increase in customers' advance payments reflective of the $2.9 million increase in backlog in the first quarter of 1992. The operating activities of the Company resulted in positive cash flow of $2.4 million which was utilized to pay down long-term debt, reducing the long-term debt to equity ratio to .73:1 at March 31, 1992 from the .83:1 ratio at December 31, 1991 despite the unprofitable operations in the first quarter, and to reinvest in capital assets.

The Company has a $7.5 million unsecured line of credit expiring June 1993 at the bank's base rate, of which $4.6 was utilized at March 31, 1992. Also available is a $1 million overline at the bank's base rate plus 1/2% which was not utilized at March 31, 1992 and expires December 31, 1992. The Company's Chairman and President, on behalf of certain of their affiliates, have each committed to loan the Company $.5 million of subordinated debt, due July 1993. The Company believes the existing credit facilities, together with the issuance of such subordinated debt, will be sufficient to meet the Company's near term cash and capital requirements. However, the Company's objective is to increase its capital base to support operations through a combination of additional borrowings, sale of capital stock and reinvested earnings.

PACKAGE MACHINERY COMPANY

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

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(a) Exhibits:

1. Item 4 - Amended and Restated Credit Agreement dated May 7, 1992, between the Company and the Connecticut National Bank. 11

2. Item 4 - Amendment No. 6 to Connecticut Development Authority $6,100,000 Industrial Development Bonds dated as of May 7, 1992, between the Company, Connecticut Development Authority and the Connecticut National Bank, as trustee. 61

3. Item 4 - Promissory Note dated May 7, 1992 granted to the Connecticut National Bank. 84

4. Item 4 - Negative Pledge Agreement dated as of May 7, 1992 in favor of the Connecticut National Bank. 86

(b) Reports on Form 8-K:

1. On February 24, 1992, Registrant filed a report on Form 8-K dated February 24, 1992 reporting the announcement of its earnings for the year ended December 31, 1991, including the restatement of 1990 results to reflect a reduction in inventory resulting from a correction of a computational error in the 1990 carrying value.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PACKAGE MACHINERY COMPANY
(Registrant)

By: Charles H. Murphy
Charles H. Murphy
Vice President - Finance
and Chief Financial Officer

Issued: May 8, 1992

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For quarter ended March 31, 1992

Commission file number 0-14506

Pioneer American Holding Company, Corp.
(Exact name of registrant as specified in its charter)

Pennsylvania	23-2319931
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
41 N. Main St. Carbondale, PA	18407
(Address of principal executive offices)	(Zip Code)

(717) 282-2662
Registrant's telephone number including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No__

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Indicate the number of shares outstanding of each of the i er's classes of common stock, as of the latest practical d

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Common Stock, $10.00 Par Value--686,037 shares as of March 31, 1992

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PIONEER AMERICAN HOLDING CO., CORP.

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Condensed consolidated statements of cash flows--Three months ended March 31, 1992 and 1991.

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SIGNATURES

PIONEER AMERICAN HOLDING COMPANY, CORP.

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	March 31 1992	Dec. 31 1991	March 31 1991
ASSETS:			
Cash and due from banks	$ 6,921	9,056	6,652
Money Market Investments	-0-	-0-	-0-
Investment Securities	62,139	65,273	61,193
Federal Funds Sold	10,650	900	7,100
Loans/Leases, net	152,111	149,976	146,410
Bank premises and equipment	3,277	3,341	3,495
Accrued Interest Receivable	2,005	2,077	1,978
Other Assets	1,206	1,003	1,170
Cost in excess of Fair Value of net assets acquired	851	861	890
Total Assets	239,160	232,487	228,888
LIABILITIES:			
Deposits:			
Demand	22,145	20,004	18,355
NOW and SuperNOW	15,129	15,055	11,861
Savings	49,780	47,399	46,299
Money Market	20,760	19,052	17,052
Time	106,336	106,871	111,798
Total Deposits	214,150	208,381	205,365
Advance from Federal Reserve Bank	-0-	-0-	-0-
Accrued Interest Payable	1,734	1,692	2,358
Dividend Payable	206	446	172
Other Liabilities	1,832	1,358	1,393
Subordinated Debentures	-0-	-0-	-0-
Total Liabilities	217,922	211,877	209,288
STOCKHOLDERS' EQUITY:			
Common Stock, par value $10; 1,000,000 Shares authorized; shares outstanding 686,037 at Mar. 31, 1992, Dec. 31, 1991 and Mar. 31, 1991	6,860	6,860	6,860
Surplus	6,652	6,652	6,652
Undivided Profits	8,258	7,630	6,684
Unearned employees benefits guaranteed debt of ESOP	(532)	(532)	(596)
Net unrealized loss on marketable equity security	-0-	-0-	-0-
Total Stockholders' Equity	21,238	20,610	19,600
Total Liabilities and Stockholders' Equity	$ 239,160	232,487	228,888

See accompanying notes to condensed consolidated financial statements.

PIONEER AMERICAN HOLDING COMPANY, CORP.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended	
	March 31, 1992	March 31, 1991
	(dollars in thousands)	
Interest Income:		
Interest and fees on loans	$ 3,873	4,041
Interest on Federal Funds sold	40	75
Interest on Money Market Investments	-0-	-0-
Interest on Investments:		
U.S. Treasury and other Federal agency securities	1,073	931
Obligations of states and political subdivisions	167	172
Other Securities	16	26
Total Interest Income	5,169	5,245
Interest expense on deposits	2,357	2,934
Interest on subordinated debentures	-0-	-0-
Total Interest Expense	2,357	2,934
Net Interest Income	2,812	2,311
Provision for loan losses	160	90
Net Interest Income, after provision for loan loss	$ 2,652	2,221

See accompanying notes to condensed consolidated financial statements.

PIONEER AMERICAN HOLDING COMPANY, CORP.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
	(dollars in thousands)	
Other Operating Income:		
Service charges on deposit accounts	$ 172	179
Net security gains	69	-0-
Other Income	100	74
Total Other Operating Income	341	253
Other Operating Expenses:		
Salaries and employee benefits	943	873
Net occupancy expense of bank premises	153	153
Furniture and equipment expenses	142	136
Other expenses	646	569
Total Other Operating Expenses	1,884	1,731
Income before income taxes	1,109	743
Income tax expense	275	167
Net Income	$ 834	576
(a) Net Income Per Share	$1.22	$.84

(a) The basis for earnings per share during 1992 and 1991 is based on 686,037 shares.

See accompanying notes to condensed consolidated financial statements.

PIONEER AMERICAN HOLDING COMPANY CORP.

Consolidated Statements of Cash Flows

Quarters ended March 31, 1992 and 1991

	March 31, 1992	March 31, 1991
	(dollars in thousands)	
Cash flows from operating activities:		
Net Income	834	576
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation & amortization of bank premises & equipment	76	104
Provision for loan losses	160	90
Loss (gain) on sale of investment securities	(69)	-0-
Amortization of goodwill	10	10
Increase in deferred loan fees	14	5
Decrease (increase) in other assets	(262)	(295)
Increase (decrease) in other liabilities	474	212
Decrease (increase) in other real estate owned	59	(40)
Accretion of discount on investment securities	(25)	(19)
Amortization of premium on investment securities	40	35
Loss (gain) on sales of fixed assets	1	-0-
(Increase) in accrued interest receivable	72	103
Increase (decrease) in accrued interest payable	42	212
Total adjustments to reconcile net income to net cash	592	417
Net cash from operating activities	1,426	993
Cash flows from investing activities:		
Proceeds from sales & maturities of investment securities	6,136	2,677
Purchase of investment securities	(2,949)	(8,267)
Loans made to customers	(16,809)	(10,656)
Principal collected on loans	14,576	11,454
Property & equipment expenditures	(94)	(383)
Sales of fixed assets	6	3
Net cash used in investing activities	866	(5,172)

PIONEER AMERICAN HOLDING COMPANY CORP.

Consolidated Statements of Cash Flows (Cont'd)

Quarters ended March 31, 1992 and 1991

	March 31, 1992	March 31, 1991
	(dollars in thousands)	
Cash flows from financing activities:		
Net increase in demand deposits NOW accounts, savings accounts & money market accounts..........	6,304	(1,074)
Proceeds from sales of certificates of deposit.....	20,911	22,757
Payments from maturing certificates of deposit.....	(21,446)	(18,680)
Dividends paid......................................	(446)	(412)
Net cash from financing activities............	5,323	2,591
Net increase (decrease) in cash & cash equivalents.............................	7,615	(1,588)
Cash & cash equivalents at beginning of year.........	9,956	15,340
Cash & cash equivalents at end of period.............	17,571	13,752
Cash paid during the period for:		
Interest (net of amounts capitalized)..............	2,315	2,720
Income taxes..	645	233

PIONEER AMERICAN HOLDING COMPANY, CORP.

Notes to Condensed Consolidated Financial Statements

March 31, 1992 and 1991

(1) Basis of Presentation
Pioneer American Holding Company Corp. (the "Company") was formed in 1984. Effective May 15, 1985, the Company acquired First National Bank, Carbondale, Pennsylvania (the "Bank") through the merger of the Bank with a newly-formed wholly-owned subsidiary of the Company which adopted the name First National Bank, Carbondale ("First National") immediately following the merger. The merger was completed on the basis of a share-for-share exchange of the Company's common stock for the common stock of the Bank and was accounted for as a pooling of interests. The company had no operations prior to acquiring the Bank. Effective February 29, 1988, the Bank's title was changed to Pioneer American Bank, N.A.

1a) The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ended December 31, 1992. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for year ended December 31, 1991.

(2) Summary of Significant Accounting Policies
The Company operated exclusively in the banking industry. The accounting and reporting policies that affect the more significant elements of the Company's financial statements are summarized below. These policies are in accordance with generally accepted accounting principles, and have been followed on a consistent basis.

(a) Money Market Investments
Money market investments are stated at cost, which approximates market.

(b) Investment Securities
Investment securities are stated at cost adjusted for amortization of premiums and accretion of discounts, both computed using a method which approximates a level yield. Gains and losses on sales of investment securities are recognized by the specific identification method.

(c) Interest Revenue and Expense
Interest revenue and expense are accrued on various methods which approximate a level yield on cost when related to principal amounts outstanding. Loan fees are recognized in accordance with FASB 91.

(d) Non-accrual Loans
The accrual of interest on loans is discontinued when payment of principal or interest is considered doubtful of collection. Loans on which payments are ninety days or more past due are considered non-accrual unless the loan is both well secured and in the process of collection. When interest accrual is discontinued, interest receivable which has been previously credited to income is reversed.

e) Allowance for Possible Loan Losses
The provision for loan losses charged to operating expense reflects the amount deemed appropriate by management to produce a reserve adequate to meet the present risk characteristics of the Company's loan portfolio. Management's judgement is based on the evaluation of individual loans and their overall risk characteristics, past experiences with respect to the relationship of its loan losses to the loan portfolio, the assessment of current economic conditions and other relevant factors. Loan losses are charged directly against the allowance and recoveries on previously charged-off loans are added to the allowance.

f) Bank Premises and Equipment
Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed on a straight-line basis over the estimated life of the related assets as follows: buildings 20-33 years; building and land improvements 5-10 years; equipment 8-12 years; and leasehold improvements over 10-15 years. No depreciation is taken on capital projects-in-process until such projects are completed and placed in service. Maintenance and repairs are charged to operations as incurred.

g) Other Real Estate Owned
Other real estate owned consists of real estate acquired through foreclosure and is stated at the lower of cost or estimated fair market value.

) Income Taxes
Certain income and expense items are recognized differently for financial reporting purposes than for income tax purposes. Provisions for deferred taxes are made to recognize these timing differences.

(3) Investment Securities

Investment Securities at March 31, 1992, December 31, 1991 and March 31, 1991 are summarized below by type:

	March 31, 1992	Dec. 31, 1991	March 31, 1991
U.S. Treasury Securities	4,513	4,515	9,993
Obligation of other Federal Agencies	25,463	27,469	27,170
Obligation of States & Political Subdivisions	9,594	10,226	10,256
Federal National Mortgage Assn.	2,704	2,811	1,027
Federal Home Loan Mortgage Corp.	16,547	16,915	8,813
Govt. National Mortgage Assn.	2,518	2,527	2,825
Corporate Notes	493	494	793
Other Securities	307	316	316
Total	62,139	65,273	61,193

(4) Stockholders' Equity

At December 31, 1985 there were 1,000,000 shares of common stock at $10 par value authorized with 267,748 shares issued and outstanding. On January 28, 1986, a 10% stock dividend was declared payable on April 1, 1986 to shareholders of record on January 24, 1986. The payment of this stock dividend increased common stock issued and outstanding to 294,016 shares. On August 12, 1986 a 2-for-1 stock split in the form of a 100% dividend was declared payable on September 30, 1986. This stock split increased issued and outstanding common stock to 588,032 shares of $10 par value.

On May 12, 1987, the Board of Directors voted to offer for sale, common stock through a subscription rights offering to existing shareholders. For every six shares of common stock of the Company held of record as of May 13, 1987, a shareholder has the nontransferable subscription right to subscribe for one share of common stock. Remaining shares not subscribed to were offered to the public for sale. The subscription Rights Offering began May 13, 1987 and was completed on June 30, 1987. The total amount of new shares issued through the Rights Offering was 98,005, bringing the total shares issued and outstanding to 686,037 at March 31, 1992.

(5) Employee Benefit Plan

During 1989, Pioneer American Bank, N.A. Employee Stock Ownership Plan (ESOP) obtained lines of credit from another financial institution of $500,000 and $150,000 of which the outstanding aggregate balance was $532,000 at March 31, 1992. The line of credit is guaranteed by the Company. The outstanding balance of $532,000 has been included in other liabilities of the Company at March 31, 1992 with an offsetting deduction from Stockholders' Equity for unearned employee benefits.

PIONEER AMERICAN HOLDING COMPANY, CORP.

Condensed Consolidated Financial Statements

March 31, 1992

Financial Review

Management's Discussion and Analysis of Financial Condition and Results of Operation

Highlights

Total Assets were $228,888,000 at March 31, 1991 and $239,160,000 at March 31, 1992 which is an increase of $10,272,000 or 4.5%. Deposits increased by $8,785,000 from $205,365,000 at March 31, 1991 which is an increase of 4.3% at March 31 of 1992 deposits. Loan volume increased significantly during the same reporting periods. Total loan volume as of March 31, 1992 stood at $152,111,000, increasing by $5,701,000 or 3.9% from $146,410,000 at March 31, 1991. At March 31, 1992, Total Assets increased $6,673,000 or 2.9% over December 31, 1991, deposits increased $5,769,000 or 2.8% and loans increased $2,135,000 or 1.4%.

The average earning asset base continued upward patterns as overall growth in asset size has continued. Average earning assets were $211,809,000 during the three months ended March 31, 1991 and $220,524,000 during the three months ended March 31, 1992. This is an increase of $8,715,000 or 4.1%.

Average total assets during the three months ended March 31, 1991 were $227,087,000 and $235,834,000 for the three months ended March 31, 1992. The return on Average Total Assets was 1.0% for the three months ended March 31, 1991 and 1.4% for the same period of 1992. Return on Average Equity for the first quarters of 1991 and 1992 were 12.0% and 15.9% respectively. Average Equity for both periods was $19,398,000 for the first quarter of 1991 and $20,917,000 for the first quarter of 1992.

Net Interest Revenue

Net income for the first quarter of 1992 increased $258,000 or 44.8% compared with the same period of 1991. While total interest revenue decreased $76,000 or 1.4%, interest paid on deposits decreased by $577,000 or 19.7% resulting in a net effect of an increase of $501,000 or 21.7% in net interest income. Net income per common share was $.84 for the first quarter of 1991 compared to $1.22 for the first quarter of 1992. Earnings per share data is based on shares outstanding at both periods.

Provision and Reserve for Possible Loan Losses

	Three Months Ended March 31	
	1992	1991
Balance at Beginning of Period	$ 1,881	1,607
Recoveries	3	14
Less: charge offs	24	44
Provision for Loan Losses	166	90
Balance at end of period	$ 2,026	1,667

The provision for Possible Loan Losses for the first quarter of 1991 amounted to $90,000. It was $160,000 for the first quarter of 1992. Net charge offs for the current quarter totaled $21,000 while net charge offs for the same period of 1991 were $30,000. The ratio of net charge offs during the first quarter of 1992 to average loans outstanding during the same period was .014% and for the first quarter of 1991 was .020%.

The Reserve for Possible Loan Losses at March 31, 1992 totaled $2,026,000; increasing $359,000, 21.5% from $1,667,000 at March 31, 1991. The Corporation has made necessary additions to the Reserve as required. These additions have brought the Corporation's ratio of Reserve for Possible Loan Losses to Total Loans outstanding to 1.1% at March 31, 1991, and the same ratio as of March 31, 1992 was 1.3%.

Other Operating Revenue

Other Operating Revenue for the first quarter of 1992 was $341,000 increasing 34.8% from $253,000 reported in the first quarter of 1991. Service charges on deposit accounts accounted for a ($7,000) decline (3.9%) of the total other operating revenue, comparing the first quarter of 1992 to the first quarter of 1991. Other income for the first quarter of 1992 totaled $100,000 which was an increase of $26,000, 35.1% over the $74,000 recorded for the first quarter of 1991. This change in other income was due mainly to increased service charge income on mortgage loans to the company in the first quarter of 1992. Other income with the exception of mortgage service charge has reflected significant gains in credit card advances and MAC settlement income in recent months.

Other Operating Expense

Total other operating expenses were $1,884,000 in the first quarter of 1992, while other operating expenses were $1,731,000 in the first quarter of 1991; reflecting an increase of $153,000 or 8.8% for the first quarter of 1992. During the first quarter of 1992, additional equipment and operational costs were incurred to replace ordinary bank equipment which are fully depreciated and worn. Those expenses will level off for the remainder of 1992. The expense incurred for salaries increased 8.8% comparing the first three months of 1992 over 1991. This increase is largely due to the addition of staff and support requirements and expanded services and a new salary administration program. Net occupancy expense reflected no change now that the bank utilizes operational space more efficiently as the bank continues to expand.

Other expenses increased $77,000 or 13.5% comparing the first quarter of 1992 to the first quarter of 1991. Among the contributing factors were increases in dues and memberships of fees, FDIC insurance, credit report fees and insurance costs.

Income Taxes

The provision for income taxes for the first quarter of 1992 was $275,000 and $167,000 for the first quarter of 1991. This reflects the current tax rates and the level of income for both periods. This is the estimated provision for income tax for the period as determined by operations of the corporation.

Capital Management and Liquidity and Rate Sensitivity

The objectives of the Corporation's capital management policy places an emphasis on both current financial positioning and future capital needs based on anticipated growth. These objectives are maintained by management which monitors its liquidity requirements through its asset/liability management program. This program, along with other management analysis enables the bank to meet its cash flow requirements and adapt to the changing needs of the Corporation's customers and the requirements of regulatory agencies. The Corporation's principal source of liquidity has been short-term U.S. Government and U.S. Agency obligations, and various corporate notes. Money market investments and portfolio investments are kept liquid in order to effectively match our current deposit structure.

The Corporation is affected by changes in the level of rates of interest. Earnings will be sensitive to interest rate changes to the degree that the average yield on assets responds differently to a change in interest rates than does average cost of funds. Adequate liquidity affords the Corporation flexibility in meeting consumer loan demand and deposit fluctuations.

The Corporation actively manages the interest rate sensitivity characteristics of its assets and liabilities to control the effects of changes in the general level of interest rates upon Net Interest Revenue. This is accomplished by the asset/liability committee which consists of senior management and the board of directors, who are responsible for management decisions as to the asset/liability maturity mix.

Effects of Inflation

Current indicators forecast a possible lowering of interest rates in the next several months with the Fed playing a key role in the 1992 outlook which remains unsettled and uncertain. The Federal Reserve may have the task of sustaining slow expansion of the economy while stemming inflationary trends, in the realm of current fiscal policy. Economic conditions are reviewed by management in a continuing effort to adjust to the changing economic enviroment. The effects of these changes on the banking industry as a whole in the Company's market area are reviewed by management in order to compete at a level consistent with the goals of profitability and sound management policy.

Increases in the rate of inflation can increase longer term interest rates, which can reduce the value of investment securities, mortgage loans and other fixed rate and term assets. Inflationary periods also may tend to increase the borrowing needs of consumers, leading to requests for additional funds, which can expand total loans above expected levels and therefore require increased efforts to ensure the maintenance of adequate capital.

The banking industry is affected by inflation in a different manner than other industries, although certain changes have similar effects on both banks and other business enterprises. Current economic indicators are moving in the direction of possible inflationary changes. Although inflation may be moving into the overall economic picture, the interest rates are affected. Interest rates have been decreasing in response to economic changes and affect Asset Liability policy of the bank. Rates on Deposits and Loans are changed as necessary with consideration of economic and market conditions. Our continuing efforts to monitor all phases of the financial condition of all assets which can be affected by inflation includes the pricing of collateral on a regular basis. The coming months will reveal the effect of inflationary fluctuations on the economy.

Part II

Item 1. Legal Proceedings

The nature of the business of Pioneer American Holding Company Corp. and its subsidiary, Pioneer American Bank, N.A., generates a certain amount of litigation involving matters arising in the ordinary course of business. However, in the opinion of management, there are no proceedings pending to which Pioneer American or its subsidiary are parties or to which their property is subject, which, if determined adversely, would be material in relation to Pioneer American's shareholders' equity or financial condition. In addition, no material proceedings are pending or are known to be threatened or contemplated against Pioneer American or its subsidiary by governmental authorities or other parties.

Item 2. Changes in Securities

None

Item 3. Default Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

(a) The annual meeting of Pioneer American Holding Company Corp. was held on April 14, 1992.

(b) Three Directors were elected at this meeting forfour year terms as follows:

Donald A. Hoyle, Jr.

Vivian Needle

George Vladika

Item 5. Other Information

None

Item 6. Exhibits and Reports on form 8-K

The following exhibits are attached to and made a part of this report.

(a) Proxy statement dated March 20, 1992 for the annual meeting dated April 14, 1992.

(b) Annual report for the year ended December 31, 1991, sent to shareholders of record March 1, 1992.

SIGNATURES*

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PIONEER AMERICAN HOLDING COMPANY CORP.

Date 5/12/92

By /s/ D. A. Hoyle Jr.
Donald A. Hoyle, Jr.
President & C.E.O.

Date 5-12-92

By /s/ John W. Reuther
John W. Reuther
Executive Vice President &
Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(X) Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

1967

For the quarterly period ended March 31, 1992, or

( ) Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number ______________

Serving Software, Inc.
(Exact name of registrant as specified in its charter)

MINNESOTA
(State or other jurisdiction of incorporation or organization)

41-1481121
(I.R.S. Employer Identification Number)

215 Riverplace Center
65 Main Street S.E.
Minneapolis, Minnesota
(Address of principal executive offices)

55414
(Zip code)

Registrant's telephone number, including area code (612) 623-4038

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes _*_ No ____

* Registrant has been subject to such filing requirements since March 18, 1992, the date its registration statement on Form S-18 became effective.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

The number of shares of common stock, par value $.01 per share, outstanding on April 30, 1992 was 4,673,183.

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SERVING SOFTWARE, INC.

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SERVING SOFTWARE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Revenue	$2,583,037	$1,235,059
Cost of revenue	$616,648	$377,738
Gross profit	$1,966,389	$857,321
Software research	$119,687	$114,541
Selling, general & administrative expenses	$1,686,435	$843,251
Interest expense	$22,161	$6,439
Income (loss) from operations before income taxes	$138,106	($106,910)
Income tax expense (benefit)	$55,242	($53,455)
Net Income (loss)	$82,864	($53,455)
Net Income (loss) per share	$0.02	($0.02)
Weighted Average Common Shares	3,682,508	3,382,929

See Notes to Consolidated Financial Statements.

SERVING SOFTWARE, INC.
CONSOLIDATED BALANCE SHEETS

	March 31, 1992	December 31, 1991
	(Unaudited)	
Current Assets:		
Cash	$3,125,370	$70,502
Trade accounts receivable, net	$3,762,300	$3,325,864
Inventory	$170,395	$64,935
Other current assets	$62,188	$54,095
Total current assets	$7,120,253	$3,515,396
Goodwill, net	$750,777	$777,548
Office equipment, net	$818,503	$366,251
Software development costs & intangible assets, net	$1,329,271	$346,421
Other assets	$81,984	$78,705
Total Assets	$10,100,788	$5,084,321
Current Liabilities:		
Notes payable to bank	$0	$295,000
Notes payable - CAMS acquisition	$800,000	$0
Customer deposits	$631,751	$638,337
Accounts payable	$793,713	$390,396
Accrued expenses	$778,833	$634,878
Deferred revenue	$1,103,055	$925,055
Current portion of long-term liabilities	$65,495	$0
Income taxes payable	$56,728	$98,198
Total current liabilities	$4,229,575	$2,981,864
Long-term liabilities	$76,816	$0
Deferred income taxes	$26,000	$10,000
Stockholders' equity:		
Common stock	$45,007	$34,177
Additional paid-in capital	$5,586,592	$2,004,346
Retained earnings	$136,798	$53,934
Total stockholders' equity	$5,768,397	$2,092,457
Total liabilities and stockholders' equity	$10,100,788	$5,084,321

See Notes to Consolidated Financial Statements.

SERVING SOFTWARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	1992	1991
	(Unaudited)	
OPERATING ACTIVITIES		
Net Income (loss)	$82,864	($53,455)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	$155,538	$63,771
Deferred income taxes	$16,000	$0
Stock issued for services	$33,340	$0
Change in operating assets and liabilities:		
(Increase) decrease in:		
Trade Accounts Receivable	($344,070)	$126,186
Inventory	($105,460)	($48,488)
Other current assets	($8,093)	$2,102
Other assets	($3,279)	($65,955)
Increase (decrease) in:		
Customer deposits	($6,586)	$40,940
Accounts payable and accrued expenses	$547,272	($100,467)
Deferred revenue	$178,000	($34,413)
Income taxes payable	($41,470)	($14,000)
Net cash provided by (used in) operating activities	$504,056	($83,779)
INVESTING ACTIVITIES		
Capital expenditures	($45,407)	($35,373)
Cost of capitalized software	($44,123)	($38,289)
Acquisition of CAMS assets	($572,451)	$0
Net cash used in investing activities	($661,981)	($73,662)
FINANCING ACTIVITIES		
Net (payments) borrowings under short-term agreements	($295,000)	$185,000
Principal payments under long-term debt	($11,942)	($11,045)
Proceeds from exercise of stock options	$2,500	$0
Proceeds from sale of stock	$3,517,235	$0
Net cash provided by financing activities	$3,212,793	$173,955
Net increase in cash	$3,054,868	$16,514
Cash at beginning of period	$70,502	$100,548
Cash at end of period	$3,125,370	$117,062

See Notes to Consolidated Financial Statements.

SERVING SOFTWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A - The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for all periods presented have been made. The results of operations for the period ended March 31, 1992, are not necessarily indicative of the operating results that may be expected for the entire year ending December 31, 1992.

Note B - Primary earnings per share for the respective operating periods are computed based on average shares outstanding and common stock equivalents, which include stock options and the Underwriters' overallotment option and warrants.

Note C - The Company has 12,000,000 shares of capital stock, par value $.01 per share, of which 10,000,000 shares are common stock and 2,000,000 are undesignated shares.

Note D - Share and per share data and common stock and additional paid-in capital have been adjusted retroactively to reflect the effect of a 3-for-1 stock split effective March 9, 1992.

Note E - Effective January 1, 1992, the Company acquired certain assets from CAMS, Incorporated ("CAMS") for $500,000 cash and an $800,000 promissory note. CAMS has been in the business of developing and licensing proprietary computer-based asset management systems for hospital applications. The promissory note was paid in full on April 24, 1992.

Note F - On March 25, 1992, the Company completed its initial public offering for the sale of 1,025,000 new shares at $4.00 per share. On April 21, 1992, the Underwriters' overallotment option was exercised for an additional 172,500 shares at $4.00 per share.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

For the quarter ended March 31, 1992, compared to the same quarter in the prior year, revenues increased 109%, net income was $82,864 compared to a net loss of $53,455 and earnings per share was $.02 compared to a loss per share of $.02.

The following table sets forth, for the periods indicated, certain items in the Company's consolidated statements of operations as a percentage of total revenue.

	Quarter Ended March 31,	
	1992	1991
Cost of revenue	24%	31%
Gross profit	76%	69%
Software research	5%	9%
Selling, general and administrative	65%	68%
Interest	1%	1%
Income (loss) from operations	5%	(9%)
Income tax expense (benefit)	2%	(4%)
Net income (loss)	3%	(5%)

Operations

Revenues for the quarter ended March 31, 1992, increased $1,347,979 or 109% from the quarter ended March 31, 1991. Much of the increase resulted from sales of CAMS systems and services totaling approximately $950,000 which included the signing of a significant software license agreement with a large multi-hospital organization. The Company acquired the CAMS systems, which utilize handheld computer and bar code reader technology for asset management in hospitals, from CAMS, Incorporated ("CAMS") in January 1992. The acquisition was accounted for as a purchase and therefore, the comparable quarter for 1991 does not include CAMS results of operations.

Revenues for the quarter ended March 31, 1992, without CAMS sales and services, increased $398,280 or 32% from the comparable quarter in 1991. Support and maintenance revenues increased $165,461 or 42%, software and implementation revenues increased $191,221 or 31% and hardware revenues increased $18,424 or 8% when compared to the same quarter in the prior year.

Support and maintenance revenues for the quarter ended March 31, 1992, without CAMS sales and services, calculated as a percentage of total revenue increased from 32% to 35% compared to the same quarter in the prior year. Management believes that the increase in support and maintenance as a percentage of the Company's total revenue this quarter as compared to the comparable quarter last year reflects a trend resulting from the growing size of the Company's client base as software systems are installed and ongoing support is required.

Cost of revenue increased $238,910 in the quarter ended March 31, 1992, from the comparable period in the prior year. Cost of revenue includes commissions on sales, cost of hardware maintenance, software development cost amortization, cost of hardware and some shipping and freight. As a percent of total revenues, however, cost of revenue decreased from 31% to 24%. Consequently the gross profit percentage increased from 69% to 76%. The primary reasons for the margin improvement result from increased CAMS revenues and support and maintenance revenues which have higher margins than the Company's other sources of revenue. Management expects that the trend will continue as the installed customer base continues to grow, together with the change in the sales personnel compensation plan. The compensation plan was changed to include a base salary plus commissions rather than a commission only basis.

Selling, general and administrative expense ("S,G&A") increased $843,184 or 100% in the quarter ended March 31, 1992, to $1,686,435 from $843,251. As a percent of total sales, however, S,G&A decreased from 68% to 65%. The increase was attributable primarily to increased costs associated with the growth of the Company, including costs associated with the CAMS division and increases in the number of personnel required for increased client service, sales, marketing and administrative functions. Future quarters are expected to have increased S,G&A expenses as the Company establishes and operates six regional sales offices.

For the quarter ended March 31, 1992, income from operations before income taxes was $138,106 compared with a loss from operations before income taxes of $106,910 for the same quarter in the prior year. The effective tax rate (benefit) for the quarter ended March 31, 1992, was 40% compared to 50% for the same quarter the prior year. The change in effective tax rate is a result of a change in the components of pre-tax income and the utilization of certain tax credits. The Company has not yet adopted FAS 109 but does not expect its adoption will have a material effect on its financial statements.

Net income for the quarter ended March 31, 1992, was $82,864 or $.02 per share compared with a net loss of $53,455 or $.02 per share for the same quarter in the prior year. The improvement for the quarter ended March 31, 1992, resulted from increased sales with improved gross profit margins along with reduced expenses as a percentage of total revenues as compared to the same quarter from the previous year.

Quarterly results:
The Company's business is seasonal, typically showing significant fourth quarter revenues. Approximately 40% of total revenues in 1991 and 1990 were recognized in the Company's respective fourth quarters. Management believes that this trend is likely to continue, although, to a lesser extent because of the increased level of support and maintenance revenues which are recognized on a prorata basis during the year and the addition of CAMS revenues which are less seasonal.

Liquidity and Capital Resources

The Company's liquidity improved during the first quarter of 1992. The Company successfully completed its initial public offering in March 1992 raising $3,731,000.

At March 31, 1992, current assets were $7,120,253 compared to $3,515,396 at December 31, 1991 and the Company's working capital was $2,890,678 compared to $533,532 at December 31, 1991. The increase is primarily the result of an increase in cash and accounts receivable partially offset by increases in accounts payable and accrued expenses.

In April 1992, the Company raised $627,900 from the sale of additional shares to cover the Underwriters' overallotment option and paid off the $800,000 promissory note resulting from the purchase of CAMS, Incorporated.

At March 31, 1992, the Company had $76,815 of long-term liabilities and had the ability to borrow $750,000 under a line-of-credit agreement with a bank. Management believes that its existing cash balances, funds available through its bank line-of-credit and its anticipated cash flows from operations will provide sufficient capital resources for its currently anticipated needs.

The Company's principal commitments at March 31, 1992 consist of obligations under operating leases for facilities.

The Company intends to invest its cash balances in short-term investments.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

(a) The Company held its annual meeting of stockholders on March 5, 1992.

(b) Jack Anderson, Darryl Ekstrom, Roger Hackett, John Haugo, George Johnson, Michael Pentopoulos and Paul Presthus were elected as directors of the Company at the meeting.

(c) The following other matters were also voted upon at the meeting.

1. Amendment of Article VI of the Company's Articles of Incorporation to increase the number of authorized shares of Common Stock from 2,500,000 to 12,000,000 of which 10,000,000 are designated as common shares and 2,000,000 as undesignated shares. Votes for, 846,750 (pre-split); votes against, none. The matter was approved by the required vote.

2. Approval to amend the Company's 1986 Stock Option Plan to increase the number of shares authorized under the Plan from 303,000 to 503,000 (post-split), to make changes to assure compliance with Rule 16b-3 under the Securities Exchange Act of 1934 and to provide that nonqualified stock options, in addition to incentive stock options, may be granted pursuant to the Plan. Votes for, 846,750 (pre-split); votes against, none. The matter was approved by the required vote.

Item 6. Exhibits and Reports on Form 8-K

(a) There are no exhibits filed with this Form 10-Q.

(b) There were no reports on Form 8-K filed for the three months ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SERVING SOFTWARE, INC.

Dated: May 12, 1992

By J E Haugo
John E. Haugo, Ph.D.
President and CEO

Dated: May 12, 1992

By Wesley E. Schultz
Wesley E. Schultz
Vice President, Finance
& Administration
(Chief Financial Officer)